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ACCOUNTANCY



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INCORPORATED ACCOUNTANTS' HALL,
VICTORIA EMBANKMENT, LONDON, W.C.2.

The Society of Incorporated Accountants and Auditors (A.D. 1885).

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in the following subjects :—Advanced Accounting, including Accounts of Partners and Executors and Income Tax; Auditing and the General Duties of Professional Accountants including Income Tax; Costing Accounts; Statistical Methods; General Knowledge in regard to Commerce and Finance; the Law relating to Joint Stock Companies and Bankruptcy; Mercantile Law, including Partnership Law; the Powers and Duties of Liquidators, Trustees, Executors and Receivers; and Economics.

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A. A. GARRETT,
Secretary

NOTE :—Complete sets of past Examination Papers may be obtained of the Secretary, price 1s. per set.

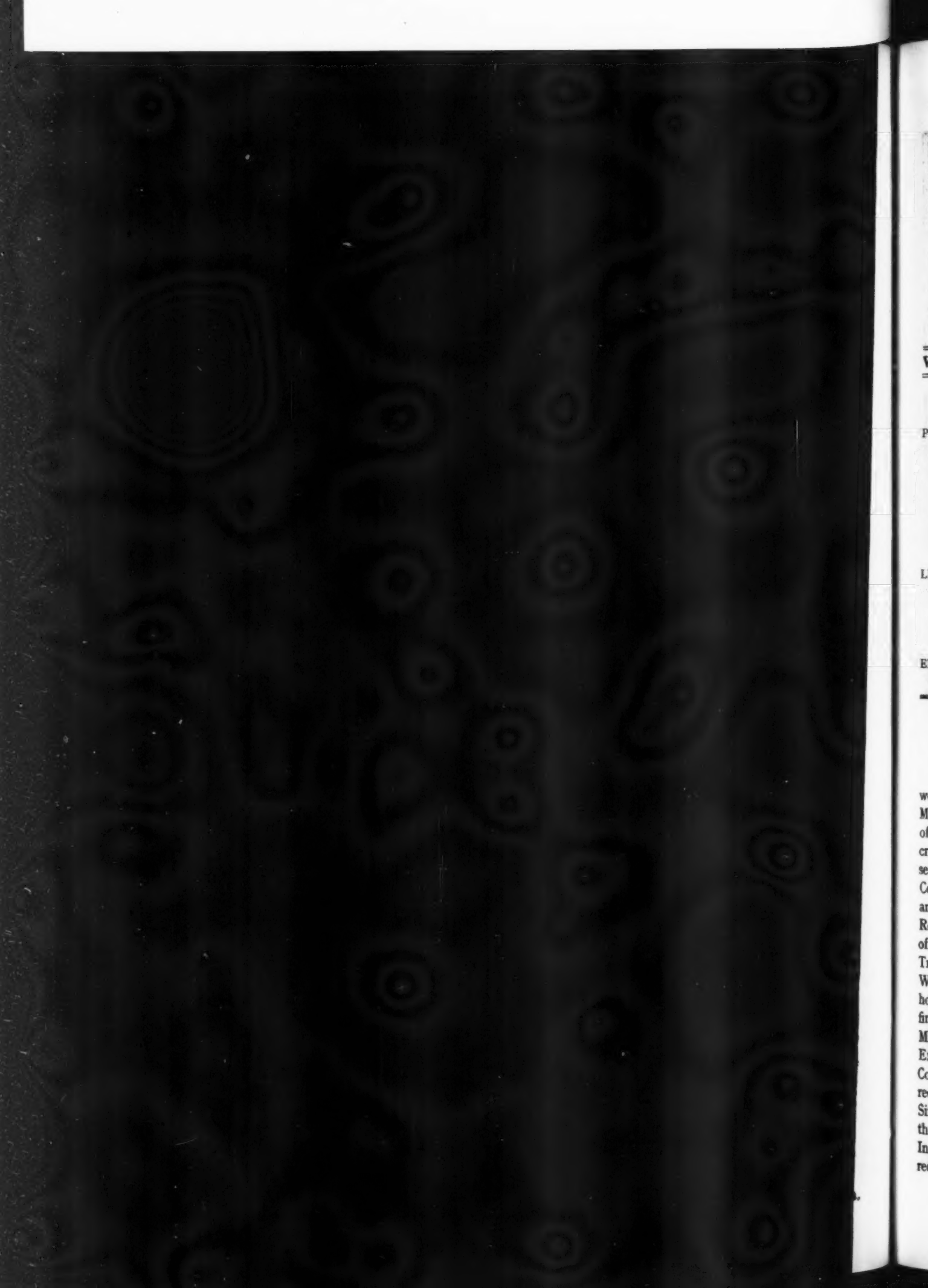
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ACCOUNTANCY

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PROFESSIONAL NOTES

The Honours List

A number of members of the accountancy profession were included in the New Year's Honours List this year. Mr. Adam Maitland, M.P., a member of the Society of Incorporated Accountants since 1910, has been created a Knight Bachelor for political and public services. He is chairman of the Departmental Committee on Costs and Maintenance of Hospitals and a member of the Joint Select Committee on Water Resources, and during the War he assisted the Ministry of Food, the Ministry of Munitions and the Board of Trade, as well as taking an active part in promoting War Savings Associations. In 1910 he obtained honours in the Society's examinations and was placed first in the pass list. Another member of the Society, Mr. Ira Wild, a Deputy Director of Audit in the Exchequer and Audit Department, and lately Comptroller and Director-General of Newfoundland, received the O.B.E. for his services to Newfoundland. Sir David Allen Hay, O.B.E., J.P., C.A., was awarded the K.B.E. and Mr. F. W. Marks, a member of the Institute of Chartered Accountants in Australia, received the C.B.E.

The Bankers' Speeches

When the bank chairmen gave their speeches at the annual meetings, most of which were held in the last week of January, they spoke to a far wider audience than bank shareholders. In accordance with a well-established and commendable tradition, they expatiated freely on the economic position and prospects of this country. A central theme ran through all the speeches—the state of Britain's external trade and how it can be infused with the vitality in which it has been so sadly lacking. Most of the chairmen welcomed the signs, visible towards the end of 1938, of a British counter-attack on forces tending to atrophy our external trade—and they referred not only to international uncertainties, but also to the stimulation of exports from certain other countries by a wide variety of artificial means. As in the case of Mr. Edwin Fisher, of Barclays, and Mr. Colin F. Campbell, of the National Provincial, they attached great significance to the Anglo-American trade agreement, in its wider and indirect effects rather than in its more obvious consequences. Emphasis was placed on the strengthening of the resources of the Exports Credits Guarantee Department and

the recent departure in policy which allows considerations other than the purely commercial to influence its underwriting. Mr. Rupert Beckett, of the Westminster, argued vigorously for bulk selling on the British side to combat bulk selling from abroad. Thus the stress of the bankers' speeches was placed on methods of stimulating trading unorthodox in the purist sense, and less attention was paid than in the past to the external value of the pound sterling.

When they turned to a survey of the home scene, the chairmen could not but stress the decline in activity. Lord Wardington at Lloyds meeting effectively demonstrated, however, that the impact of international events had much less effect on the home markets last September than would have occurred in 1914, pointing to the far greater strength and elasticity of our system at this later stage. Rearmament was regarded by the bankers as a force which, wisely used, would inject animation into our industry and trade. It was surprising, however, that, except for Mr. McKenna, of the Midland, the chairmen did not much concern themselves with the financial implications of rearmament. They seemed to envisage no difficulties on that particular score. Mr. McKenna stated with emphasis his view that borrowing could safely proceed to the point where labour was fully employed. It is a dismal prospect, but it is at least probable that at the beginning of 1940 the finance of rearmament will be the *leitmotif* of the bankers' disquisitions.

The McKesson & Robbins Failure

Even American newspaper men rarely find a "story" so sensational as that of the McKesson & Robbins case. The suicide of the President of this large drug and chemical firm, followed by the disclosure of his extraordinary career in which, after having been convicted as a criminal, he had risen to a position of eminence in the New York financial world, provided excellent "copy" for sensationalism of the most extreme type. The newspapers made the most of the material with which they were provided and nation-wide interest was aroused in the case. The profession of accountancy obtained unsought-for publicity, since fraud on the part of the President and other chief officers of the company was disclosed. The case was of such magnitude that the responsibility of the auditors was a subject ventilated in all sections of the Press. As a result of the outcry the Securities and Exchange Commission instituted an inquiry to determine whether the audit was in accordance with the generally accepted standards of audit procedure and whether those standards themselves were sufficient to ensure the reliability of financial

statements. Thus the whole question of audit standards in America has been brought before the public eye. While this matter is still in the stage of investigation by the Commission it is not possible to deal with it fully. An indication of the importance of the case can be gathered from the fact that the report of the testimony before the Commission already runs to over 700 pages. In the meantime, however, the Attorney-General of the State of New York called a meeting for the consideration of one aspect already being investigated by the Commission—namely, the possible improvement of auditing and accounting practice in general. This and other cases, such as the Whitney, Inter-State Hosiery Company and McKaffray & Co. cases, had, he alleged, "revealed certain fundamental weaknesses in the preparation of financial statements of large corporations." The American Institute of Accountants and the New York Society of Certified Public Accountants are co-operating with the Attorney-General in this investigation, the outcome of which may be that something like standard auditing practice will be finally approved by the Government authorities, though as the two bodies of accountants have pointed out in a memorandum submitted to the Attorney-General, variations in practice from one audit to another are inevitable. These two bodies, as their memorandum shows, have done extremely valuable work in improving auditing procedure. We await with interest further information in this case, since the implications as to auditors' responsibilities will undoubtedly be far-reaching and can hardly fail to have a significance for English accountants as well as American.

The Position in Life Assurance

While last year was not such a good year for life assurance new business as 1937, the figures of the life offices announced early last month were impressively high. It appears that the uncertainties experienced during the second half of 1938 were a deterrent to the writing of new assurances, though it might have been expected that the desire for protection in these troubled times might have outweighed unwillingness to incur further monetary obligations by way of premium payments. It is evident, however, that the life offices are turning their organisations to good account in obtaining business of the "family income" type, and in transacting group life assurances. One factor which needs to be taken into consideration when surveying the prospects for 1939 is the enhancement of rates effected by a number of the offices at the beginning of the year. The Equity and Law, London Life, Equitable, North British and Mercantile, Law Union and Rock, and Phoenix were among the offices which decided to revise their rates in view of the difficulty of investing new funds.

The offices had regard particularly to possible increases in taxation, which would go to reduce the net yield of their investments. From the fact that the major part of the increases were in the non-profits branch, it appears that the tendency for bonuses on with-profits policies to be reduced may be accentuated. Where a policy is with-profits it is possible for the life offices to pass on to the policyholder a reduction in interest earnings, and though the offices have been loth to do this during the last few years of attenuated yields, many of them have now reached the stage where the only alternative would be a substantial rise in premiums in this branch. One office, the Equitable, has met the situation by eliminating the non-profits policy almost entirely. After the turn of 1938 all new Equitable policies, except a few specialised types, participate in the profits. In other words, all new holders of life policies take a share in the equity—the so-called “major-profits” policies ranking before the “minor-profits” policies. Another point of interest concerns the attitude of the offices to fatalities which may be incurred through war. The question whether new policies should be subjected to restrictions and conditions as far as the war risk is concerned is still *sub judice*, and it is one about which actuaries are seriously concerned. Some hold that the practical inevitability of moratoria, in the event of the circumstances envisaged, would protect the offices sufficiently, but others maintain that explicit protection of some sort in new contracts is necessary, whether by way of increased premiums for the war risk or restrictions on the liability of the offices.

Guildhall Dinner

The Council of the Society of Incorporated Accountants has arranged for a dinner in Guildhall, London, E.C., the Right Hon. The Lord Mayor and Corporation having kindly given their permission. The dinner will be held on Thursday, March 16th, 1939, at 7 for 7.45 p.m. We have pleasure in announcing that H.R.H. The Duke of Kent has promised to honour the Society by his presence, and that the Lord Mayor has accepted the Council's invitation. Mr. Walter Holman, President of the Society, will be in the chair. Owing to the fact that tickets (price £1 11s. 6d. each) must be allotted in the order in which applications are received, members of the Society are asked to make early application to the Secretary. The last dinner of the Society in Guildhall was held in 1935 at the time of the fiftieth anniversary celebrations.

Audit of Unit Trust Yields

The proposal to have yields on Unit Trusts audited has made further progress in the past month. Municipal and General Securities Company Limited has issued a statement giving the form of the accountants' report which they have adopted as a

basis for all their yield calculations. The report follows the general lines of the article on the subject which appeared in the *Incorporated Accountants' Journal* for September, 1938, and it is claimed that it eliminates the possibility of any exaggeration of yield through the inclusion of items which should strictly be treated as capital. As was to be expected, difficulty has arisen in the treatment of income from securities which are in the nature of wasting assets, and the accountants signing the report have felt obliged to confine themselves to a statement of the amount of income derived from such wasting assets, leaving to the managers the decision as to what is adequate amortisation. Nevertheless, accountants accept a negative control in the matter since all publicity containing reference to yield will be submitted to them for approval. Managers of the Keystone group of trusts say that they would welcome uniformity in the method of computing yields and set out eight points which they consider should be borne in mind. There is considerable agreement between the statements of the two companies and this is welcome, as yield has always been a delicate question in the unit trust movement. The only point of importance on which the two companies do not appear to agree is whether yield should be based on the notional income receivable from a specified collection of securities in one year (as Municipal and General suggest) or on the actual distributions of the trust (as Keystone suggest). Results from both methods would probably be the same in the case of fixed trusts. Danger arises only if other managements apply the Keystone methods to flexible trusts.

American Accounting Developments

Of particular interest to accountants will be the two special University lectures to be given at the London School of Economics on Monday and Tuesday, February 27 and 28, at 5 p.m. Professor T. H. Sanders, of Harvard University, will speak on “Recent Accounting Developments in the United States.” Professor Sanders is an Englishman by birth and a graduate of Birmingham University. His academic career was preceded by a period of five years in business. In 1931-32 he was President of the National Association of Cost Accountants and during 1935 he was associated with the Securities and Exchange Commission at Washington as consultant on financial reports required by the Commission. Several books by him on various aspects of cost accountancy have been published; these include *Cost Accounting for Control and Problems in Industrial Accounting*. Many of his articles have appeared in American periodicals. The chair at the first of his lectures—at which admission is free—will be taken by the President of the Institute, Mr. C. J. G. Palmour, and at the second by the President of the Society, Mr. Walter Holman.

Consolidated Accounts

One View —

By H. E. WINCOTT (*Associate Editor, "Investors' Chronicle"*)

It was not without some trepidation that I agreed to write this article. It is one thing to preach the gospel of consolidated accounts to the converted—the investing public. That has been my experience hitherto. It is a very different thing to make the same plea to an audience composed of experts—experts who, though they may agree to the plea in principle, are faced with practical difficulties of which I am aware but with which, fortunately, it is not my responsibility to cope. I overcame my misgivings by reminding myself of the many obscurantists among company officials who persist in denying reasonable information to their shareholders. If I can show how such an attitude imperils the investor's capital and tends to bring the whole company system into disrepute, then I can with an easy conscience delegate to wiser heads than mine the task of overcoming the technical difficulties involved. It is not a matter of great concern to me how the necessary information is given to shareholders—if it can be done adequately without "consolidated accounts," as generally understood (which, however, I take leave to doubt), then my demand is satisfied.

It is, of course, inevitable that I should approach the problem from the investor's viewpoint—I must confess that I am no accountant. It may prove profitable, however, if I sketch briefly the changing investment background of the present century for it has definite relevance to the question of disclosure in accounts. There have been two clear-cut tendencies in the investment world in the last four decades. First, we have had the growth in the size of the British industrial concern and, secondly, as a result of the re-distribution of the nation's wealth, a vast increase in the number of investors owning those concerns. The days of the tight little family company, when disclosure in accounts was unnecessary since the facts were already known to the proprietors, have to a large degree departed. And as a result of these changed circumstances, some directors are prone to regard their shareholders as an impersonal mass, changing its make-up frequently, and only too often evincing the minimum interest in the company's affairs—particularly

when things are going well. But the change clearly makes informative accounts more, not less, necessary. The lack of personal contact, the impossibility of accommodating 100,000 shareholders at the annual meeting, make it essential that directors should give the fullest possible information in their annual report.

And directors should realise that in the ultimate resort it is in the interests of all concerned—directors, officials, employees and shareholders alike—that the trend of the company's affairs should be clearly discernible. If the company should come to the Courts for reconstruction, then the co-operation of the shareholders is inevitable. That co-operation is more likely to be obtained if the directors have maintained friendly and open relationships with their shareholders. It is, moreover, a safe assumption that the company which makes full disclosure to shareholders is far less likely to reach the Companies' Court than the company which cloaks the trend of its affairs from shareholders' eyes—if its affairs are on the down-grade, shareholders will shed their apathy overnight and will co-operate wholeheartedly with the management in an effort to reverse the trend before the avalanche has reached overwhelming proportions. Again, if an obscurantist company requires new capital from its shareholders, can they be blamed for their diffidence in subscribing it when they have no clear picture of what has happened to their initial investment?

I believe that at least so far we are on common ground. Leading members of the profession, enlightened company chairmen, and investors in general have for years been urging that company balance sheets, and in particular those of holding companies, should give the maximum of information to the shareholder. Opinions may differ on the method of solving the problem but there can hardly be any difference of view on the basic principle. It may, incidentally, be worthwhile recalling the attitude of the Committee of the London Stock Exchange towards holding companies. In 1936 the Committee noted the tendency to form holding companies to acquire shares in existing under-

takings instead of the purchase of assets in the usual way, and frowned upon that tendency, stating that it would require to be satisfied that there were adequate reasons for such a course. There can be little doubt that the Committee's attitude towards holding companies remains the same to-day as it was in 1936, if indeed it has not hardened.

I am fully prepared to admit that there are difficulties in the preparation of consolidated accounts where the holding company possesses substantial and varied interests overseas, though, as with most of the objections advanced against consolidated accounts, this argument can be disposed of by the simple statement that what one combine can do, so can its neighbour. But there are many holding concerns with only limited or negligible overseas interests which refuse to give adequate information to shareholders. Let us take an imaginary company, the XYZ Corporation, the accounts of which will be found to bear a striking resemblance to those of many companies well known on the Stock Exchange. Its last balance sheet showed that 65 per cent. of its assets consisted of investments in, and advances to, subsidiary and associated companies. The company, moreover, bought up competing businesses during years of prosperity and high prices. It also, through its subsidiaries, spent considerable amounts upon advertising and only by this means increased its profits. And yet the chairman is able, at the meeting, to stress the fact that no credit is taken in the balance sheet for goodwill or development expenditure. The profit and loss account of the XYZ Corporation shows one omnibus item on the credit side—"By profit on trading, dividends and interest from subsidiary and other companies, investment income, and after providing for management expenses, legal and professional charges, interest, repairs and maintenance of and depreciation on office premises and furniture." Is it to be wondered at that the shares of the XYZ Corporation are among the most volatile and speculative issues quoted on the Stock Exchange; that they are frequently the subject of "whispering campaigns"; that they are sold, in disgust, by shareholders at 35s., only to jump the next week to 45s., though, in fact, their true worth is 25s.?

It must not be thought, moreover, that such obscurantism is confined to concerns similar in investment status to the XYZ Corporation. It is true that shareholders will more easily forgive such practices when a company is consistently successful, but that does not make the practices in principle less undesirable. There is another company—let us call it the UVW Company—which in each of the past three years has shown a trading account balance, after interest, expenses, reserves, contingencies, and crediting interest and dividends received, of exactly £268,000, not a penny more or less. Its securities,

in contrast to those of the XYZ Corporation, are held in the highest esteem by investors, but this surely is a case of faith moving mountains. How can any shareholder judge the company's true earning capacity from such accounts? Is not accountancy thus reduced to a farce?

The stock reply of many chairmen when asked by exasperated shareholders to produce consolidated balance sheets and profit and loss accounts is that such a practice would give away valuable information to the company's competitors. In the case of the XYZ Corporation there is probably some truth in the argument—the group's competitors (and creditors) have their own idea of the amount of "water" in the subsidiaries' capital but they would appreciate official confirmation. But on general grounds the argument is specious. Holding companies are often in a quasi-monopolistic position in their particular industry and for that reason it is definitely in the public interest that the obscurantism they practice should be brought to an end. On practical grounds, too, the excuse has no validity. I can instance Dunlop Rubber, Wiggins Teape, Imperial Chemical Industries, and a dozen other leading companies, all operating in highly competitive trades, which produce consolidated accounts or at least give their shareholders a picture of the group's real earning capacity and financial position. And by the same token, the argument against consolidated accounts first mentioned (substantial foreign interests) and additional arguments, such as the large number of constituent companies comprising the group, the varying dates of their accounting periods, and so on, fall to the ground. When Imperial Chemical Industries, with its vast interests in this country and throughout the world, fails to produce consolidated accounts, then and then only shall I be convinced that the technical difficulties are insuperable.

This then is the case for consolidated accounts as I see it. As I have said before, I realise that a universal remedy may not easily be achieved. But it is patent that the existing abuses in the presentation of accounts must come to an end. And if company directors and members of the accountancy profession will realise that the whole system of company finance is constantly under the spotlight of publicity; if they will read the lesson of events in the United States of America during the last six or seven years; if they will appreciate that increasing Government intervention in, and subsidisation of, industry must carry with it increasing supervision of capital, then I am sure that by co-operation and enquiry the difficulties will be overcome to the benefit of all concerned. If the problem is not tackled in this fashion then, sooner or later, a solution may be forced upon us—and forced solutions generally prove neither welcome nor successful.

Consolidated Accounts

—Another View

By STUART R. COOPER, Chartered Accountant

Mr. Wincott commences his plea for consolidated accounts by referring to the trepidation with which he agreed to write his article, and it was with equal trepidation that I allowed myself to be persuaded to reply to it. However, after reading Mr. Wincott's remarks, I feel that there is not really such a vast deal of difference between his views and mine, and I would therefore like to consider the conclusions at which he has arrived.

Mr. Wincott firstly implies that the investing public—a somewhat wide term—are already converted to consolidated accounts. There I beg to differ. In my view the investing public—which I take it to mean the general public who invest money through the medium of the Stock Exchange—are far from converted, inasmuch as a very large proportion of them have great difficulty in understanding the most simple form of accounts and would be completely fogged by any consolidated account. I feel that Mr. Wincott must have spoken with his tongue in his cheek and that what he means by the investing public is the financial Press and the Stock Exchange. While it may be that the financial Press is converted, I have considerable doubts as to whether there is any unanimity of view amongst members of the Stock Exchange.

In this connection I would mention that there seems to be a tendency to forget that accounts are issued primarily to shareholders and not to the Press and the Stock Exchange and that they therefore should be sufficiently simple for anyone of average intelligence to be able to understand if he reads them carefully.

With Mr. Wincott's view that many published accounts afford inadequate information to shareholders, I am in complete agreement, and I think that there is no question that such accounts have caused the demand for, amongst other additional information, "consolidated accounts."

The points at issue can, in my view, be summarised under three headings:—

- (1) Are consolidated accounts desirable in *all* cases of holding companies accounts?
 - (2) Are they practicable in *all* cases,
- and assuming that the answers to both these questions are in the affirmative, which I do not believe to be the case,
- (3) Should legislation be introduced to compel their publication?

Now with regard to (1), I agree that there are numerous cases in which consolidated accounts are innocuous and probably in the view of many desirable, but there are, I think, certain basic conditions which should apply, if not 100 per cent., at least substantially, the most important points being that the financial years of the holding company and the subsidiaries should end on the same date, that all the companies should operate in the same currency, or in free currencies, and that they should carry on substantially the same trade or at least allied trades.

I agree that, for example, in the case of an engineering holding company that operates, say, six wholly owned subsidiaries which are, in effect, departments of the general business, a consolidated account gives a sound and compact picture of the whole, but straightforward holding companies of this type do not by any means form the majority of companies coming under the "holding" definition and in the case of the more complicated holding companies, particularly those with international ramifications, the picture presented by a consolidated account can be not only so complicated that no layman can be expected to understand it, but may, in my view, even be misleading.

With regard to (2), the question of practicability, Mr. Wincott dismisses the point by saying that he is not an accountant and that it is for the experts, presumably company chief accountants and their auditors, to deal with the problem. This does not solve the problem and I can only emphasise that in the case of many of the larger holding companies with wide international ramifications, fluctuating and blocked exchanges, differing financial year-ends and accounts located in inaccessible parts of the world to mention just a few practical difficulties, it is impracticable to prepare in a reasonable time a consolidated account that any firm of auditors could sign without so many safeguards and qualifications as to render the account valueless.

I am afraid, speaking I hope as a practical accountant, that I am quite unable to accept the proposition put forward by Mr. Wincott that "what one combine can do, so can its neighbour." This proposition seems to me to be fallacious as it assumes that the facts are the same in all cases.

Mr. Wincott gives two illustrations and draws therefrom certain deductions which I find it

difficult to follow. He complains that the subsidiary companies may have spent considerable sums on advertising and have thereby, and only thereby, "increased" their profits. Surely it is the normal process for manufacturers of branded goods to advertise their products and surely the advertising expenditure is a normal selling expense which they would be most unwise to forgo. If, as I presume, the suggestion is that consolidated accounts could or should disclose this I cannot agree with either the wisdom or the necessity of such disclosure or if it is suggested that goodwill is in some way connected in accounts of a combine with the annual advertising budget, I am unable to see the connection.

Goodwill, its treatment in accounts and what constitutes it have been vexed questions for many years, and I can only give my own view that goodwill is simply one of the many forms of fixed assets owned by companies. I can see no good reason for separating it in accounts from bricks and plant. Neither is held for resale and their going concern values have normally no relation to their realisable values.

Generally speaking I think it may be taken that most combines come into being through competing businesses in a specific trade wishing to ally and in that case it is usual, I think, to arrive at the purchase price to be paid by the holding company to the shareholders of the subsidiaries by reference to their earning power. Consequently it may be that a holding company acquires the capital of a company whose issued capital is, say, £100,000 for £250,000. On preparing a consolidated account of the combine a form of goodwill item of £150,000 is thrown up, but whether or not it is goodwill is a question of fact. It may be that the acquired company has been extremely conservative in its depreciation policy and in providing capital expenditure out of revenue in which case the so-called "goodwill" is in fact buildings and plant. *Per contra*, it may be that the business of the acquired company is such that it earned large profits on a small capital, in which case the surplus could properly be described as goodwill, but how the shareholders or the Stock Exchange or the journalist is helped by being given a consolidated account, showing a large item of goodwill which may represent plant or goodwill, or both, I am unable to appreciate.

It must be borne in mind that a "consolidated" profit and loss account can be "adjusted" just as easily as any other account and that the consolidated profit and loss account will normally only show up the difference between the profits earned by the subsidiaries and the dividends transferred to the holding company.

My own experience has been perhaps fortunate, but in recent years I have found, generally speaking, a very real desire amongst the majority of the Boards

of directors with which I have come in contact to give to the shareholders adequate information.

I have endeavoured to give my criticisms on the views expressed by Mr. Wincott while at the same time avoiding bringing technicalities into my comments, and I feel that I cannot do better than endeavour to sum up my views and criticisms, which, even though they have no other merit, are a result of practical experience. If I may be allowed to summarise my views in sequence, here is the result :—

- (1) I agree with Mr. Wincott that the disclosure given by many of the accounts submitted by holding companies leaves much to be desired.
- (2) I agree that holding companies can, and should (and even sometimes do) present accounts which give the average shareholder the information which he requires.
- (3) I am not convinced by Mr. Wincott's arguments to the effect that consolidated accounts are in all cases either desirable or practicable.
- (4) While admitting that in some cases they may fulfil the above requirements, I emphatically disagree with Mr. Wincott's contention that what one combine can do so can its neighbour.
- (5) I am entirely opposed to any form of legislation designed to force on commercial concerns any statutory or compulsory form of accounts.

I suggest that the real answer to the points raised by Mr. Wincott and which he suggests can be solved by what I may term "universal consolidation" can best be dealt with by answering one question, namely, "What information does the average shareholder need in order to enable him to assess the position of a company in which he has invested?" I submit that the following information is adequate and can, or should, be readily available in every case :—

- (1) Balance sheet and profit and loss account on the lines commonly adopted by holding companies at present.
- (2) Statement giving particulars of consolidated earnings of the combine and how dealt with.
- (3) Statement—where appropriate—of working capital position showing excess of current assets over current liabilities, or *vice versa*, and excess of assets—if any—maturing at long term dates over similar liabilities.

Given such information the shareholder can by an elementary mathematical calculation ascertain whether his share capital is entirely invested in fixed assets or whether his capital is partly represented by, so to speak, bricks and mortar and partly by assets capable of being converted without difficulty into cash. I submit that the question of whether the fixed assets of the company in which he is interested consist of factory chimneys or so-called "goodwill" is of no interest to him or anyone else. What is the cash value of a factory chimney?

The Reform of Hospital Accounts

By J. E. STONE, Incorporated Accountant

It is obviously the duty of every hospital authority to keep proper accounts. The legal liability to do so varies with the nature of the institution and the method of its creation. This article deals only with the voluntary hospitals, but many of the principles stated are applicable to any hospital, municipal or voluntary.

Voluntary hospitals may be either (a) entirely supported by voluntary contributions and without endowment, or (b) endowed. Unendowed hospitals are entirely exempt from the jurisdiction of the Charity Commissioners, and therefore, merely stand in a fiduciary position to their subscribers, and are only liable to account in the same way as trustees have to account to their beneficiaries; whereas hospitals with endowments are subject to the restrictions imposed by the Charitable Trusts Acts.

The precise mode in which the accounts of voluntary hospitals should be kept is not prescribed by law but hospitals in the metropolitan area wishing to participate in the annual distribution of the King's and other central funds, must use the "Revised Uniform System." If we have regard to the increased work, expenditure and financial responsibilities of the hospitals, and the growing problems of management, it cannot be gainsaid that *the time has arrived when the whole question of hospital accounting and finance should be reconsidered in its entirety*. In this reconsideration, tradition should be ignored and the question solved solely on its merits.

Let us consider the deficiencies of the Revised Uniform System. All revenue or maintenance expenditure of the hospital is divided into a number of groups and allocated to specified headings which are again divided into sub-headings showing details. Each main heading represents a specific group of expenditure and, within the limits of each of these and the sub-headings, the particulars of hospital expenditure must be set out with minute accuracy, irrespective of the functions or services with which they are concerned. It will readily be appreciated that knowledge of totals of groups of unrelated expenditure is of little use to a keen administration, nor can it be considered as providing "protection against extravagance and mismanagement."

In the first place, the natural divisions of expenditure so essential to control and efficient administration are not exhibited. Expenditure is classified to distinguish only between certain types of expenditure rather than to bring together these different types in relation to the functions or services with which they are connected. To be of value, even only for the purpose of checking extravagance and mismanage-

ment, it is essential that the expenditure shall be analysed in conformity with the organisation of the hospital, *i.e.*, it must be identified with specific objects such as wards, departments, activities and the like. Hospitals are not organised in arbitrary groups in terms of provisions, surgery and dispensary, domestic and so on; they are organised in wards, departments, activities and the like, and obviously, if the results are to be capable of intelligent use by the administration, these should form the entities of account.

The deficiencies of the present system in this connection are clearly shown by two examples. Take the cost of heating. The elements of this cost are hopelessly entangled in the expenditure accounts. Wages of engineers and stokers appear under "salaries and wages (mechanics)"; coal under "domestic (coal)"; water under "domestic (water)"; renewals and repairs of plant under "establishment (renewals and repairs)." Stated thus, the cost of heating has no significance. It is incapable of being considered in relation to any activity whereby its efficiency, and its efficient use, may be measured. Thus, an important item of cost in all hospitals is lost to sight because its constituent elements are merged with other elements which happen to have a similar designation. The same remarks apply to hospital laundries, though here the principles of departmentalisation are recognised by the three Funds to the extent that a separate account is required to be kept of laundry expenditure and costs, and of estates and manufacturing sections. The laundry account in the form given is, however, actually inconsistent with the principles laid down by the Revised Uniform System. It provides for such items as depreciation and interest on capital being charged in the accounts—a provision which is admittedly sound, but, for some unknown reason, is expressly excluded from the accounts of all other activities of the hospital "so as to ensure uniformity."

Another serious defect of the present system—and this applies more particularly to the question of comparisons between hospitals—though it arises out of what is laid down as a principal requirement of the system, is the reduction of approximately 75 to 80 per cent. of the total ordinary expenditure of the hospital to one unit, the "cost per occupied bed." Hospital officers are under no misapprehension respecting the very limited value of this single unit for purposes of comparison between hospitals. Apart from the many other considerations already referred to, if regard is had only to the wide range of differences existing between hospitals in the nature and extent of specialised treatments and services, it

is obvious that this unit for purposes of such comparisons is too absurd to call for any lengthy comments. This view is supported by the following extract from the Final Report of the Voluntary Hospitals Commission: "No doubt 'cost per occupied bed,' the test adopted by the King's Fund, is at best an unsatisfactory criterion."

From the point of view of administration and internal control the deficiencies of the system may be summarised as follows:—

- (1) It does not show the true cost of carrying on any one of the many and varied activities maintained.
- (2) It does not differentiate between the cost of services included in the same head or sub-head of expenditure.
- (3) It does not furnish any material for the comparison of costs of administering or maintaining similar services.
- (4) It does not assist in the elucidation of the problems of management, because it does not show who is responsible for expenditure.
- (5) It does not lend itself to the establishment of units of costs on a departmental or activity basis.
- (6) It does not show the cost of maintaining the staff as distinct from that of the patients.
- (7) It does not allow of expenditure being reduced scientifically for the accounts do not show which costs are high in proportion to the services rendered.
- (8) It does not provide for a division of expenditure as between in-patients and out-patients on an accounting basis.
- (9) It provides at best merely a summary of totals and sub-totals unrelated to activities.

The present system, therefore, fails to furnish a reliable guide for intelligent consideration of efficiency and economy. On the contrary, the information provided by accounts kept strictly in accordance with the system may be definitely misleading. It is not a system of accounting in the proper sense of the term, because it ignores the true function of accounting, which is to control the administration and assist the administration to control. The inadequacy of the system has long been recognised, and this recognition has led to the gradual addition of numerous subsidiary methods of control. The original system, however, is so totally unscientific in design that the additions have served only to make confusion worse confounded as the sums involved and activities have increased. Detached statements and statistics which do not form an integral part of the accounting system are far from satisfactory.

It is not, of course, suggested that hospital administration shall be considered merely as a matter of costs; on the contrary it is, as we all know, a matter of organisation, and it is natural, therefore, that the accounts should represent the results of the organisation, as opposed to the artificial and arbitrary charac-

ter which is inseparable from the present system. Very few people, even those who use them daily, realise what the results produced by the system mean practically, and no one has the least idea how they are likely to be affected by an expansion or shrinkage in the volume of work of the hospital, either as a whole or departmentally, and if so affected, what deductions may be safely made from their rise or fall.

Instead, therefore, of laboriously collecting all the expense items and trying to fit them together by main force into some artificial relationship by means of an all-in unit of cost, it would lead to new and valuable results if they were kept separate—if hospitals ceased to jumble together unrelated items of expenditure.

It will be realised that the subject of hospital accounting is being approached from an entirely new angle. It is being accepted as an integral part of hospital administration, as indeed it must be if it is to be effective. The new method would provide results which would permit of an intelligent interpretation of the accounts and their analysis into significant components; it would provide hospitals with a real accounting system under which every item of expenditure, whatever its nature, is charged to the department, activity, function or service with which it is concerned—in short, it would be departmental or unit accounting, conforming to the organisation of the hospital. Such a system involves the recording of the internal transactions relating to and covering all the various activities of the hospital so as to arrive at the total expenditure on each activity, and in addition, to the calculation of a unit of cost determined solely by the nature of the service rendered by the activity.

The value of any system of accounting for hospitals lies in its value in increasing the efficiency of the administrative control. Special emphasis is placed on this—the accounting system must not be deemed, as at present, an end in itself. If it is to serve the purpose for which it is intended, it must obviously conform to the following principles:—

- (1) The starting-point should be a chart showing all the units of the organisation of the hospital.
- (2) An account should be opened for each unit of the organisation. (Within each account, the analysis of expenditure should be grouped under appropriate headings distinguishing between that which is controllable and that which is uncontrollable.)
- (3) The total expenditure of each account should be reduced to a unit of cost, *each unit being determined solely by the nature of the service rendered.*
- (4) A budget should be introduced based on a chart of the units of the organisation.
- (5) A scheme of statistics and periodical returns forming an integral part of the accounting system should be introduced.

A separate article would be needed for each of

these principles if they were to be fully considered, but with regard to the law, it may be stated that while a properly designed accounting system provides the machinery for securing a complete control of all financial transactions of the hospital, both external and internal, it is in the expression of the records

obtained from the system in a concise and summarised form, in the shape of periodical returns, that the value of the system is made apparent. Only by the effective presentation of interim results in the form of financial and statistical statements is any system of accounting to be judged.

Accounts in Narrative Form

By F. A. ROBERTS, *Incorporated Accountant*

At one time members of a company were, in many cases, presented with a balance sheet which gave on the one side the bulk of the asset values of the undertaking under one or two "omnibus" captions, and the other items—for which, often after the exercise of the keenest ingenuity by the parties responsible, not the flimsiest grounds of justification could be found for inclusion in the main "omnibus" headings—followed in illogical sequence. In reviewing the other side only magic power could deduce the current indebtedness from the caption "sundry creditors and credit balances": such a description seemed merely to suggest that the mind of a bookkeeper obsessed with the technical terminology of his calling, rather than the accountancy mind, was behind the preparation of the document.

Authoritative representations submitted by certain leading members of the profession before the Greene Committee during its inquiries preparatory to the drafting of the present Companies Act, the passing of that Act, and the general desire for advancement evidenced to-day in almost every section of scientific effort, have resulted in a marked improvement in modern practice in the form of presentation. Instances occur, however, which indicate that those concerned with the submission of accounts have not advanced abreast. Evidence of this has been provided on several occasions recently in our monthly feature "Points from Published Accounts."

It seems true to say that the highest stage in the advancement so far made has been achieved by those companies which present accounts in narrative form. The tendency for shares to be issued in small denominations and the change in social conditions have resulted in the equity of a company being held by a much larger number of persons than formerly. This increase in number means that a much wider representation of the public is included: they are not all possessed of financial training, but include many who—by fortune or misfortune—have not found it necessary or of interest to engage in the pursuit of financial knowledge. It follows that any statement of account drawn up for their information should be as free as possible from technical terms, and should be in the form of a simple statement. If the accounts be presented in narrative form these necessities are to a large degree satisfied.

An excellent example of this method is afforded by the recent balance sheet of Crompton Parkinson, Ltd., an extract from which is shown over page. The profession and those interested in the administration of companies may find much interest in a detailed review of these accounts.

It will be seen that members are informed of the total of the issued capital, reserves and profit and loss, and that this is represented by assets classified in total under three headings. Components of each of the three asset groups are then given, with the great advantage that the net liquid assets are clearly emphasised. The misleading headings of "assets" and "liabilities" commonly met are dispensed with, and no technical terms appear with the exception, perhaps, of "capital reserve," which is necessary in order to satisfy legal requirement.

Incidentally, one, perhaps, may be inclined to enquire why the amounts representing the balances on current accounts with the subsidiary and associated companies are excluded from the net liquid assets total: it may be, of course, that there is an element of fixity about these balances from which, if this be so, it would appear that the description of current account has been strained beyond its normal implication. This comment, however, is ancillary to the main point, and we are impelled strongly to commend this form of presentation.

It may be that where the narrative method is adopted further improvement can be effected by indicating the equity of each class of shareholder. For example, of the total of capital reserves and profit and loss balance there could be shown the total amount which on book values, in the event of liquidation, would become due to the shareholders. This would mean that where preference shareholders had no right to a share in the surplus their interest would appear at the nominal value of their holding (subject to the dividend position); and in the case of the ordinary shareholders their equity would be the total of their capital, the reserves, and accumulated profit and loss balance. Where the preference shareholders had a right to share *pari passu* with the ordinary shareholders, the allocation of the reserves and profit and loss balance would be on the basis of the respective holdings of ordinary and preference shares.

It is, perhaps, unnecessary to refer to the profit and loss account in narrative form. The requirements of the Companies Act, 1929, as to the directors' report practically results in information being given in this form through that report; but to attain consistency with the form of the balance sheet the aim should be to present the profit and loss account, as far as it so lends itself, in similar form.

These comments are not made under any misapprehension that the narrative form is a recent innovation. The main submission is that the form is not as often adopted as with considerable advantage it might be. Many balance sheets have long since shown a grouping of assets and liabilities on the respective sides; but the suggested improvement lies in linking the respective groups, aided by a few explanatory words, so that a reviewer has an immediate "net" view of the position. In the *Incorporated Accountants' Journal* of June, 1937, there appeared a form of executorship accounts in narrative form representing the suggestions of the Society's Research Committee. The principles of this are very similar to those underlying the form of "accounts charge and discharge," usually to be found in trust accounts in Scotland. The whole principle of this form is that, commencing with the figure of the estate, as for estate duty, the subsequent accretions and decreases are shown by a series of additions and subtractions stated in vertical form and leading to the net value of the estate. While this method has been suggested by the Society's Research Committee only for adoption in the presentation of a summary to the beneficiaries, it is to be noted that the accounts charge and discharge method in Scotland forms an integral part in the main accounting.

CROMPTON PARKINSON, LTD.

Extract from Balance Sheet at 30th September, 1938
Issued Capital and Reserves:

(All Shares fully paid)	£	£
8 per cent. Cumulative First Preference Shares	170,725	
6 per cent. Cumulative Second Preference Shares	500,000	
		670,725
Ordinary Shares	150,000	
"A" Ordinary Shares	669,628	
		819,628
Total Capital		1,490,353
Capital Reserve	53,395	
General Reserve	750,000	
Profit and Loss Account	401,585	
		1,204,980
		<u>£2,695,333</u>
Represented by:		
Property, Plant, etc.	405,056	
Subsidiary and Associated Companies and Trade Investments ...	1,082,574	
Net Liquid Assets	1,207,703	
		<u>£2,695,333</u>

Composed as under:—

Freehold Land and Premises, Plant, Tools, Furniture, Fixtures, etc.:	£	£
At Cost, less Sales and Depreciation as at previous 30th September ...	368,201	
Add Additions, less Sales during Year	61,855	
		430,056
Deduct Depreciation Written Off ...		25,000
		<u>£405,056</u>
Subsidiary and Associated Companies and Trade Investments:		
Subsidiary Companies:—		
Shares at cost, less Amounts Written Off	635,096	
Current Accounts and Advances, less Amounts Written Off ...	466,366	
		1,101,462
Deduct Amount due to a Subsidiary Company	149,477	
		951,985
Associated Companies:—		
Shares at cost	38,674	
Current Accounts... ..	74,461	
		113,135
Deduct Amount due to an Associated Company	2,736	
		110,399
Trade Investments:—		
Shares at cost		20,190
		<u>£1,082,574</u>
Current Assets:		
Cash at Bankers on Deposit and Current Account and in Hand ...	760,592	
Sundry Debtors and Prepayments...	479,939	
Stock-in-Trade and Work-in-Progress, at cost or under, as certified by the Company's Officials ...	260,426	
Investment at Market Value ...	4,325	
		1,505,282
Deduct Contingency Reserve ...	7,078	
		1,498,204
Less:		
Current Liabilities:		
Sundry Creditors and Accrued Charges		290,501
		<u>£1,207,703</u>
Net Liquid Assets		<u>£1,207,703</u>

RECENT LEGAL CASES

The following recent legal cases are dealt with in this issue:—

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ACCOUNTANCY

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NATIONAL SERVICE

Accountancy is the first occupation on the Government's "Schedule of Reserved Occupations," published last week. The fact that the profession assumes first place on the list is to be ascribed to the accident of the alphabet. Nevertheless, its inclusion in the schedule constitutes official recognition of the essential character of the accountant's work. Only because the profession of accountancy would be of vital importance in times of national emergency has it been made a "reserved" occupation by the Government.

What does this mean? It means that in the view of the Government the accountant is best occupied in the profession for which he has been trained and that he will not be accepted for *whole-time* service in other capacities in time of war. It should be carefully noted that there are some exceptions to this. In general, accountants under the age of 30 do not fall within the reservation. Service in the regular armed forces and service in the Territorials and the corresponding forces in the Royal Navy and the Royal Air Force in cases where accountants are already engaged in them, is in no wise restricted. Except for cases which fall in these categories, however, it is made clear that those engaged in the "reserved" occupations, including accountancy, would be best serving the interests of the country by remaining in them in times of national emergency.

It does not follow from this that the accountant can undertake no form of national service other than accountancy work. He may be accepted for service which is only part-time in war, but this is "subject to the clear understanding that in the case of persons covered by the schedule, work in the occupations listed in the schedule will have first claim on them in war time." The accountant may, indeed, make a first-class air raid warden or a member of an auxiliary fire service but these functions, vital though they may be in an emergency, cannot take precedence over the services of the accountant as an accountant. If the accountant wishes to place his services at the disposal of the Government, he can best do so in his professional capacity. The main qualification to

the general reservation of the accountancy profession is officially set out in the following words—"nothing in the schedule restricts . . . acceptance for whole-time service in war in the volunteer's trade or professional capacity."

Members of a number of the accountancy bodies in Great Britain have already received or may shortly receive a letter from their President asking them whether they are willing to place their services at the disposal of the Government in a professional capacity in the event of war or national emergency and enclosing questionnaires for their completion if they are so willing. A considerable proportion of the questionnaires despatched to members of the Society of Incorporated Accountants have already been returned with the relevant details stated. It is indeed satisfactory to know that so many members of the profession have expressed their willingness to perform the work for which they are by training and qualification best suited if a state of national emergency should make it necessary.

As we understand it, the voluntary register for the accountancy profession implies two things. First, it constitutes a record of qualified persons in the accountancy profession together with the exact nature of their qualifications and experience and other relevant particulars; secondly, it gives an indication to the Government of the number of such persons who are willing to undertake work for the State, either in whole or in part time, should they be called upon to do so. In this connection it should be made clear that completion of a questionnaire involves an obligation on the part of the member concerned. The extent of the accountancy services required in an emergency cannot at present be estimated but the register provides a pool from which professional services may be drawn in the proportions required. It is our opinion that the Government would naturally exercise discretion if circumstances unfortunately made it necessary for them to call upon accountants to perform work in an emergency. We have received no official guarantee, but since accountancy is officially recognised as a reserved occupation, it appears to follow that the authorities would have regard to the professional functions which partners and staffs of firms would be required to perform in their private capacity for the national interest, in addition to the individual services which members have offered to the Government by the completion of questionnaires. This aspect will receive the attention of the Central Register Advisory Council which the Minister of Labour has recently appointed. It is, however, for individual accountants to decide whether they will indicate now their willingness to undertake professional work for the Government if called upon to do so, insofar, that is, as they would not perform, should an emergency arise, duties of greater national importance—on which the Government must remain the final arbiter. For ourselves, we whole-heartedly reiterate the expressed wish of the leaders of the profession that a very emphatic response will be shown by accountants as a whole to the call for service which has gone out to the British nation.

TAXATION**Repayments to Minors**

For the purposes of the Income Tax Acts, an infant is an "incapacitated person," and in so far as he is incapable of making a return and cannot be assessed personally, he must be assessed and charged in the name of the trustee, guardian, or tutor having the control of his property or income (General Rules 4, 5 and 13, and Section 161, Income Tax Act, 1918). If, however, the infant earns income by his own skill, he is regarded as being capable of making a return, and of paying the tax; he cannot escape assessment by having no trustee or guardian (*Rex v. Newmarket Commissioners, ex parte Huxley*, 1916, 7 Tax Cases 49). A guardian who receives and controls income on behalf of an infant is liable to pay the tax thereon, even if he has no control over the assets from which the income arises (*Drummond v. Collins*, 1915, 6 Tax Cases 525).

Claims for repayment of tax deducted at source, in respect of allowances to which the infant is entitled, should be made by the parent, guardian or trustee. Such claims must be limited to tax on the income to which the infant is absolutely entitled, and must be made within six years from the end of the year of assessment in respect of which the claim is made. In all cases where the infant has a vested interest in property, e.g., trust funds, the whole income therefrom must be regarded as income of the infant as it arises, even if the whole or part of the income is accumulated as being in excess of the amount required to maintain and educate the infant. It may be, however, that under the terms of a will or settlement, income arising from the trust fund is to be accumulated for the benefit of a person contingently upon his attaining a specified age or marrying, so that the beneficiary does not become absolutely entitled to the income until the happening of the contingency. In those circumstances, if the beneficiary is maintained and educated out of the income, the amount expended in maintenance and education is regarded as the vested income of the beneficiary in the years in which it is expended; the balance of the income reaches him in one sum on the happening of the contingency.

Since the sums spent in maintenance, etc., are paid out of taxed income, they are regarded as net sums, the gross equivalent of which must be taken as representing the income of the beneficiary for the years in which the expenditure is incurred. Where trustees have neglected to claim repayment for the child in respect of income so vested, the child is prejudiced by reason of the six years time limit, unless the income accumulated is sufficient to cover the whole of his allowances. On the contingency happening, Section 25 of the Income Tax Act, 1918,

as amended by Section 30 of the Finance Act, 1923, "relates back" the balance of the income of the fund to the years in which it arose, and enables the beneficiary to claim repayment of tax on any allowances in respect of which he has not yet had relief, for the whole of the years of accumulation, provided the claim is made within six years from the end of the year of assessment in which the contingency happens.

It is essential to note that Section 25 applies only where the contingency is the attainment of a *specified* age (not necessarily twenty-one) or marriage. A direction that income is to be accumulated for a specified term of years does not comply with the terms of the section, and cannot attract relief (*White v. Whitcher*, 1927, 13 Tax Cases 202). Where there is some other contingency, the income reaches the beneficiary as capital on the happening of the contingency (*Commissioners of Inland Revenue v. Bone*, 1927, 13 Tax Cases 20). It is not essential, however, that the beneficiary shall have an interest in the capital of the fund on the happening of the contingency; it is sufficient if he is to have a life interest on the attainment of the specified age (or marriage) (*Dale v. Mitcalfe*, 1927, 13 Tax Cases 41). There can be no claim if the right to the income is wholly at the discretion of the trustee (*Dain v. Miller*, 1934, 18 Tax Cases 478). "Section 25 does not apply (a) unless on the attainment by the beneficiary of the specified age or on his marrying and nothing else, some accumulation comes to an end and something is transferred to him . . . (or) (b) if there is a double contingency and only one has been fulfilled . . . (or) (c) if the contingencies are contingencies with which the Act has nothing to do" (*ibid.* pages 486-7).

It is of the utmost importance in considering settlements to determine whether the interest of the beneficiary is vested or contingent, as, if it is vested, Section 25 does not apply, and on the child coming of age, if claims have not hitherto been made on his behalf, he can only claim allowances for the past six years. On the other hand, if the interest is contingent, on reaching the specified age or marrying, the beneficiary can claim allowances for the whole period of contingency to the extent that these have not already been given. A good example of a vested interest is seen in *Jones v. Down* (1936, 20 Tax Cases 279) where A. transferred certain stock to his son B. and another, to be held in trust to accumulate the dividends and transfer the stock to B.'s daughter when she married or came of age. It was held that her interest was vested.

Any income tax recovered on a claim under Section 25 belongs to the beneficiary (*Fulford v. Hyslop*, 1929, 8 Annotated Tax Cases 588). It is not within

the scope of this article to discuss settlements on minors under which, for income tax purposes, the income is to be deemed to be the income of the settlor. Section 25 obviously cannot operate in such circumstances. It is well to bear in mind, however, that if the result of treating the income as that of the settlor under Sections 38-41, Finance Act, 1938, is to entitle him to a repayment of tax, the tax so repaid belongs to the beneficiary under the settlement (Third Schedule, Part 1, Rule 3, Finance Act, 1938).

For sur-tax purposes, if the statutory total income of the child exceeds £2,000, he is assessable. Income accumulated under the circumstances covered by Section 25, is assessable to sur-tax when handed over, but is related back to the years in which it arose. The trustees or guardians cannot be assessed to sur-tax in respect of the total income of a minor, even if such income consists solely of the income of their own trust (*Commissioners of Inland Revenue v. Longford*, 1926-28, 13 Tax Cases 573).

The following example illustrates the principles. Only two years are given, in order to economise space, but the same method is applicable to all relevant years.

A., who died in 1930, left certain funds in trust to accumulate until B. reached the age of 21, or married under that age, and if the contingency happened, to be paid over to him on his 21st birthday. B. was maintained and educated out of the income. B. also had other income as shown below.

For 1930-31 and 1937-38 the relevant figures were as follows:

	1930-31	1937-38
Income from A.'s trust funds (gross)	£ 500	£ 520
Maintenance, etc., payments	... 90	120
B.'s other income:		
From a vested trust (gross)	... 50	50
From an employment	... ..	100
B. married in 1937, and his 21st birthday was January 19th, 1939.		
Repayment claims:		
	1930-31	1937-38
"Grossed" Maintenance	... .. £ 116	£ —
Vested Income...	... .. 50	570
Remuneration	... .. —	100
	£ 166	£ 670
Tax repayable:		
Personal Allowance	1930-31	1937-38
£135 at 4/6	£30 7 6	£180 at 5/- £45 0 0
Earned Income Allowance		£20 at 5/- £5 0 0
Reduced Rate Allowance		£31 at 2/6 £3 17 6
	£135 at 3/4	£22 10 0
	£34 5 0	£72 10 0

Each of the above claims could be made at any time within six years of the end of the year of assessment in respect of which the allowances are claimed. In 1937-38 the interest in A.'s trust became absolute, and for that year the whole income is available for the purposes of allowances. Moreover, a claim can then be made in

respect of all earlier years, resulting in a further repayment for 1930-31, as follows:

Vested Income	£550	Tax repayable on balance of
		Reduced Rate Allowance—£219
		— at 2/6 = £27 7 6

A similar claim will be made for other relevant years.

Had B.'s interest in the trust been vested from the outset, a claim would have been necessary by reference to the gross income, irrespective of maintenance payments and could not be deferred more than six years.

TAXATION NOTES

Sur-Tax on the Undistributed Profits of Certain Companies.

It seems that in certain quarters an apportionment in the case where profits have been withheld from distribution by trading companies is being too readily accepted. It must be remembered that the provisions of Section 21 of the Finance Act, 1922, are designed to prevent avoidance of sur-tax, not to force companies to distribute profits up to the hilt, irrespective of their requirements. If the company's liquid resources are such that it would be improvident to declare a dividend, or to increase a dividend already paid, an apportionment will not usually be made, but if one is made, it should be resisted. The Special Commissioners will hear the appeal most sympathetically, and the direction will be discharged as soon as they are satisfied as to the *bona fides* of the position. It is of no use appealing, however, where the undistributed profits are already in the pockets of the members, *e.g.*, as loans, for it is then evident that the monies are not required in the business. Even then, if it can be shown that the loans were only temporary and are about to be repaid to meet liabilities, it may be that, on the facts, it can be established to the satisfaction of the Appeal Commissioners that there has been no avoidance of sur-tax. It is most important, where a direction has been sustained, to ensure that any dividend subsequently declared out of the profits in question is not again charged to sur-tax on the shareholders who receive it.

General Rule 23.

Under this rule, every agreement for payment of interest, rent or other annual payment in full without allowing for deduction of tax authorised by the Income Tax Acts, is void in that respect, and the payer is still entitled to deduct the appropriate tax. Where it is intended to pay a constant net sum of interest, etc., the agreement should be worded to show such intention, *e.g.*, to pay "such a rate as, after deduction of income tax at the standard rate for the time being in force, will leave" the intended rate. The annual payment is then the gross equivalent of the sum payable. If, however, it can be shown that an agreement purporting to pay interest "free of tax" is avoided by the rule, but it is the intention of the parties to make the payment in this way, the Court, on application, will allow the agreement to

be amended by the inclusion of some such wording as the above, in order to implement what was in fact agreed (*Jervis v. Howle*, 1936, 15 Annotated Tax Cases, 529). General Rule 23 does not apply to dividends, and if a dividend is declared "free of tax," it is regarded as a gross dividend of such amount as after deduction of tax would amount to the sum paid. The dividend warrant must be accompanied by a statement showing this gross amount and the tax "deducted" (Section 33, Finance Act, 1924).

Legacy Duty.

It is well known that legacy duty is not chargeable on legacy duty, and if a legacy is left "free of duty,"

the duty is calculated on the amount of the legacy, not on a gross equivalent. Thus, a legacy to a brother of £500 "free of duty," attracts £25 legacy duty, and not £26 6s. 4d., which would be the duty on a gross equivalent. Where, however, an executor makes a payment on account to a residuary legatee and does not deduct legacy duty, he is regarded as having advanced the legacy duty out of the residuary estate, and as having made the payment less legacy duty. Accordingly, duty is leviable on the gross equivalent, which, taking the above figures, would be £526 6s. 4d., the whole of which will be deductible in the residuary account.

Recent Tax Cases

By F. HEYWORTH TALBOT and R. A. FURTADO, Barristers-at-Law

Schedule D—Wear and Tear Allowance—Leased plant and machinery—"actual cost" to the lessee.

In *Union Cold Storage Company, Limited v. Simpson* (November 14, 1938, Tax Leaflet 994), the appellant company was lessee of machinery and plant used by it for the purpose of its trade. The terms of the lease provided that the appellant should maintain the machinery and deliver it over in good condition at the end of the lease. The appellant claimed a deduction in computing its profits for wear and tear of the machinery under Rule 6 of Cases I and II of Schedule D. Paragraph (6) of that rule provides that the allowances for wear and tear shall not exceed in the aggregate the actual cost to the person carrying on the trade of the machinery, including capital expenditure thereon by way of renewal, improvement or re-instatement. The appellant company had in fact incurred no capital expenditure at any time; all sums actually expended by it on rent and running repairs had been charged to revenue account and allowed as deductions in computing the appellant's profits. The appellant argued (a) that the limit imposed by paragraph (6) should not be construed as applying to the case where the person carrying on the trade is a lessee, as this would deprive the lessee of the benefit which paragraph (2) of the Rule *prima facie* affords him, or alternatively (b) that the actual cost of the machinery to the lessors should be treated as if it were the actual cost to the person carrying on the trade. The Court, upholding the decision in *Heyhoe v. Slough Theatres Company, Limited* (17 T.C. 488), decided that there was no reason for putting any such limited construction on paragraph (6), and held that as the appellant had incurred no actual cost or capital expenditure, it was entitled to no deduction for wear and tear. In ordinary cases, where machinery is let on terms whereby the lessee is bound to maintain and deliver it over in good condition, it can scarcely be contemplated that the

lessee is bound to do more than deliver it over in such good condition, having regard to its age, as careful use and sufficient maintenance will secure. Since the lessee will be entitled to be allowed all actual expenditure on repairs and maintenance, little practical hardship to the lessee seems to result from the decision. The burden of unavoidable wear and tear in such a case would rest on the lessor, but the terms of paragraphs (5) and (6) are such as preclude him from obtaining any relief in respect of it. Moreover, where the lessor undertakes the burden of maintaining and restoring, the relief given him by paragraph (5) is, as Macnaghten, J., pointed out, apparently limited by paragraph (6) to the actual cost of the machinery to the lessee. The present decision, therefore, if strictly applied, seems to deprive the lessor of any relief under paragraph (5) in many cases in which it seems to be required, and indeed in most cases, except where the letting of machinery itself amounts to the carrying on of a trade (as to which, compare *Union Cold Storage v. Jones*, 8 T.C. 725).

Schedule D—Sum paid to secure cancellation of lease—Not an allowable deduction in computing profits.

In *Union Cold Storage Company, Limited v. Ellerker* (November 14, 1938, Tax Leaflet 994) the appellant company claimed a deduction in computing its profits of a sum of £6,000 paid by it to the owners of premises leased to the appellant, to secure the cancellation of the lease. The lease, which at the date of cancellation had 10 years to run, comprised premises formerly used by the appellant for the purpose of its business, but no longer required by it. The Crown disallowed the deduction on the ground that it was not expended wholly for the purpose of the appellant's trade, or alternatively, if it was so expended, that it was capital expenditure. The Court held that the expenditure was not laid out for

the purpose of the appellant's trade, and disallowed the deduction, the Judge indicating that even if his decision on that point had been different, he would have disallowed the deduction on the ground that it was capital expenditure. The authorities bearing on these two points are difficult to reconcile. It was held in *C.I.R. v. Falkirk Iron Company* (17 T.C. 625) that a company which had sublet premises leased to it, but no longer required for the purpose of its business, was entitled to an allowance in computing its profits of the difference between the rent paid by it and the rent received from sub-tenants, as allowable expenses of its trade. There are, moreover, authorities deciding that a lump sum payment for the purpose of getting rid of future recurring revenue expenditure may be held to assume the nature of such expenditure, and be an allowable deduction; for example, a payment to secure the cancellation of an unprofitable agency agreement—*Anglo-Persian Oil Company v. Dale* (16 T.C. 253). On the other hand, a payment to secure the surrender of a lease of premises at which a branch of a fishmonger's business had formerly been carried on, was held not to be an allowable deduction, in *Cowcher v. Richard Mills and Company* (13 T.C. 216). This case was decided prior to the *Falkirk Iron Company* case, and it is a curious result that, whereas rent of premises acquired but no longer used for the purpose of a trade can be treated as allowable expenditure of the trade, a lump sum paid to get rid of such premises can not be so treated, notwithstanding the decisions relating to lump sum payments to get rid of a recurring revenue charge.

Schedule D—Deduction in respect of mills, factories or other similar premises—Cold storage premises are mills.

In *Ellerker v. Union Cold Storage Company Limited*, and *Thomas Borthwick and Sons, Limited v. Compton* (November 14, 1938, Tax Leaflet 995) the Court discussed the meaning of the words "mills, factories or other similar premises" in Rule 5 of Cases I and II of Schedule D. The two companies claimed allowances in computing their profits of the gross annual value of certain premises on the footing that they were mills or factories within Rule 5 (2). The Crown contended that the premises were not mills or factories, and that the allowance should be limited to the amount of the Schedule A assessment on the premises as reduced for the purpose of collection. All the premises were used as cold stores and contained machinery for the process of refrigeration, while in some cases parts were used for the making of ice for sale, and contained machinery therefor. The processes carried on included freezing, defrosting, cutting and preparation of carcasses for sale. The Judge held that the words "mill" and "factory" in Rule 5 must be construed in their ordinary meanings and he declined to treat as binding decisions upon

similar words in Rating Acts. He held that a factory is a building used for the manufacture of goods and equipped with machinery. A mill is a building where goods are subjected to treatment or processing of some sort and machinery is used for the purpose. Applying these tests, all the buildings, being used for the treating or processing of meat by means of machinery provided for that purpose, were mills. It was emphasised that a mill or factory is a building equipped with machinery. It seems that a warehouse, though equipped with machinery, is not a mill or factory if used merely for storing goods, and not for subjecting them to any process.

It will be remembered that the proviso to Rule 5 upon which this case was decided is repealed by Section 15 of the Finance Act, 1937, which substituted a new allowance for depreciation of "mills, factories or other similar premises."

Schedule D—Annual sum for use of premises. An admissible deduction in computing profits.

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whether they are instalments of capital or revenue expenditure. Neither the Act nor the decided cases provide any infallible criterion for deciding this question, and the form and wording of the documents giving effect to the transaction may often turn the scale.

Surtax—Trust fund held for child contingently on attaining 25, and subject thereto for child's mother—Whether intermediate income is child's or mother's.

The case of *C.I.R. v. Abbey* (December 1, 1938, Tax Leaflet 999) deals with a point of some importance on the construction of a trust drawn in a form commonly used. Shares were held by trustees upon an irrevocable trust for a child "if and when she shall attain the age of 25 years absolutely, and subject as aforesaid, in trust for the child's mother absolutely." On this, the Crown contended that income received by the Trustees while the child was under 25 was income of the child's mother, to be included in the joint income of the mother and her husband for the

purpose of surtax. The Crown's argument was based on the view that the child had no interest in the property or income unless and until she attained 25, and consequently the intermediate income, not having been given to the child, was included in the gift to the mother. The Court, deciding against the Crown, held that where income-producing property is settled *inter vivos* in the above terms, the intermediate income is the child's income. The Court, however, distinguished cases where similar trusts are contained in wills.

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The recent decision of Simmonds, J., in *In re Sanger, Taylor v. North*, adds yet another case to a series of decisions which are puzzling to lawyers as well as to accountants who are called upon to act as executors.

A testatrix by will appointed executors, and after bequeathing certain legacies devised and bequeathed all the residue and remainder of her estate to five persons equally. She also directed her executors to pay all duties out of her estate. Two of the residuary legatees predeceased the testatrix, and their shares of the residue lapsed and devolved upon persons entitled under the rules of intestate succession.

In these circumstances the executors desired to know whether the testatrix's debts and the duties payable on her death should or should not be discharged primarily out of the lapsed two-fifths of residue.

If the problem is to be appreciated, it must be borne in mind that, though Part II of Schedule I to the Administration of Estates Act, 1925, provides that liabilities shall be discharged primarily out of "property of the deceased undisposed of by will," it is added that "the order of application (as laid down by the Schedule) may be varied by the will of the deceased."

This wording has given rise to considerable litigation in recent years. If assets are to be applied in the order specified by the Schedule, and there is a lapse of part of a residuary gift, the liabilities are discharged primarily at the expense of persons entitled to the lapsed share of residue.

For instance, suppose a testator, whose gross estate is valued at £20,000, bequeaths (a) specific legacies valued at £4,000, and (b) pecuniary legacies

valued at £3,000, and gives the residue of his estate to A. and B. in equal shares; if A. dies before the testator and his share of the residue lapses, the assets must be marshalled as follows according to the Schedule:

1. Undisposed-of share of residue, <i>i.e.</i> , A.'s lapsed share	...	...	£6,500
2. Disposed-of share of residue, <i>i.e.</i> , B.'s share	...	...	6,500
3. Pecuniary legacies	...	...	3,000
4. Specific legacies	...	...	4,000
Total gross estate	...	...	£20,000

Liabilities are payable primarily out of the first of these funds. If, therefore, they amount to £6,500, the persons entitled on intestacy get nothing, whilst B. gets his full £6,500.

Everything depends, however, on the intention of the testator. In each case it has to be ascertained what he meant by the term "residue." He may, for instance, mean what is left over *after* all his debts and legacies have been discharged.

If, therefore, in the imaginary instance given above, the testator intended A. and B. to have in equal shares the net difference between his gross estate and his debts and legacies, assuming the debts to be £6,500 (including estate duty), B. would receive only £3,250 and there would be £3,250 for the persons entitled on intestacy. But if this was the testator's intention, it is impossible to apply the assets in the order specified in the Schedule to the Administration of Estates Act, 1925, and it must, therefore, follow that the will, by implication, directs the assets to be applied in a different order.

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In these circumstances the executors desired to know whether the testatrix's debts and the duties payable on her death should or should not be discharged primarily out of the lapsed two-fifths of residue.

If the problem is to be appreciated, it must be borne in mind that, though Part II of Schedule I to the Administration of Estates Act, 1925, provides that liabilities shall be discharged primarily out of "property of the deceased undisposed of by will," it is added that "the order of application (as laid down by the Schedule) may be varied by the will of the deceased."

This wording has given rise to considerable litigation in recent years. If assets are to be applied in the order specified by the Schedule, and there is a lapse of part of a residuary gift, the liabilities are discharged primarily at the expense of persons entitled to the lapsed share of residue.

For instance, suppose a testator, whose gross estate is valued at £20,000, bequeaths (a) specific legacies valued at £4,000, and (b) pecuniary legacies

valued at £3,000, and gives the residue of his estate to A. and B. in equal shares; if A. dies before the testator and his share of the residue lapses, the assets must be marshalled as follows according to the Schedule:

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Total gross estate £20,000

Liabilities are payable primarily out of the first of these funds. If, therefore, they amount to £6,500, the persons entitled on intestacy get nothing, whilst B. gets his full £6,500.

Everything depends, however, on the intention of the testator. In each case it has to be ascertained what he meant by the term "residue." He may, for instance, mean what is left over *after* all his debts and legacies have been discharged.

If, therefore, in the imaginary instance given above, the testator intended A. and B. to have in equal shares the net difference between his gross estate and his debts and legacies, assuming the debts to be £6,500 (including estate duty), B. would receive only £3,250 and there would be £3,250 for the persons entitled on intestacy. But if this was the testator's intention, it is impossible to apply the assets in the order specified in the Schedule to the Administration of Estates Act, 1925, and it must, therefore, follow that the will, by implication, directs the assets to be applied in a different order.

What the Court has to determine, therefore, in

these cases is whether the statutory order of application of assets is to be observed, or whether the will directs assets to be applied in some other order.

In two cases only have the Courts varied the statutory order. In *re Petty*, 1929, 1 Ch. 726, the testator gave his whole estate to trustees on trust for sale, and directed them to pay his debts and legacies out of the proceeds, and to stand possessed of the residue in trust for various persons, one of whom predeceased him. In this case it was held that the debts were not payable primarily out of the lapsed share of residue.

In *re Kempthorne*, 1930, 1 Ch. 268, a testator directed his executors to divide his residue into seven equal parts "subject to and after payment of my funeral and testamentary expenses and debts and legacies." In this case also, since it was clear that the residuary

fund was not to be ascertained until debts and legacies had been paid, the liabilities were not payable primarily out of lapsed shares of the residue.

On the other hand, in *re Lamb*, 1929, 1 Ch. 722, *re Tong*, 1931, 1 Ch. 202, *re Worthington*, 1933, 1 Ch. 711, and the recent case of *re Sanger* mentioned above, the statutory order of application was enforced.

It seems then that, unless the wording of the will makes it clear that liabilities and legacies are to be paid before the ascertainment of the residuary fund, liabilities must be borne primarily by a lapsed share of this fund; though, if the will makes it clear that by "residue" the testator means what remains after liabilities and legacies have been paid, it will not be necessary to apply the assets in the order prescribed by the Schedule.

Legal Notes

EXECUTORSHIP LAW AND TRUSTS

Rule against double portions—Presumption rebutted when a settlement appears not to be intended as an advancement of the gifts given by will (in this case the gift by will could be increased by the trustees in the exercise of a power).

In *re Vaux*, *Nicholson v. Vaux* (No. 2) a decision of Simonds, J., reported in the *Incorporated Accountants' Journal* of July, 1938 (page 380) was overruled. He had held that legacies given to a testator's children would be adeemed *pro tanto* by subsequent advances so as to bring into operation the rule against double portions and that the rule was applicable although the testator died partially intestate. The question of the applicability of the rule where a testator died partially intestate was not considered by the Court of Appeal (55 T.L.R., 230).

The Master of the Rolls pointed out that the rule against double portions rested on two hypotheses—first, that under his will the testator provided a portion and secondly, that by the gift *inter vivos* he had again conferred a portion. It was presumed that when a testator, having given in his will to children that portion of the estate which he decided to give, subsequently conferred on a child a gift which amounted to a portion, then he could not have intended that the child should have both, and the gift *inter vivos* would be taken as being on account of the portion given by the will. But a presumption against double portions could be rebutted if, on reviewing all the circumstances, an intention to satisfy the portion by means of the gift *inter vivos* could be negated.

In the present case, although the children were to receive a minimum sum under the will, discretion had been given to the trustees to increase that

amount. No authority had been cited in which the rule against double portions had been held to operate where the will contained a special power of appointment among the children. To find that there was a double portion here would be contrary to the whole theory on which the rule rests. It was a peculiar and exceptional case depending on the facts and provisions made for the family by the testator. On the facts, therefore, the presumption of an intention to advance to a child had been satisfactorily rebutted.

Leave was granted to appeal to the House of Lords.

Covenant to settle after-acquired property is not enforceable for the benefit of volunteers.

Though a declared trust in favour of a volunteer is enforceable in equity, yet a mere covenant to create a trust is unenforceable. Thus a post-nuptial settlement is unenforceable for the benefit of the wife or children; and even a settlement in consideration of marriage, though enforceable for the benefit of children of the marriage (who are within the marriage consideration) is not enforceable for the benefit of next-of-kin. In *re Kay's Settlement* (1939 W.N. 12) the facts were that by a voluntary settlement K., a spinster, assigned property to trustees upon trusts to pay the income to herself for life with power to appoint the income to any husband who might survive her, and subject thereto, upon trust for her issue as she should by deed or will appoint; subject to such appointment, for her children at 21 or marriage, with trusts over in default of issue. Then followed a covenant by the settlor to settle certain after-acquired property upon the same trusts. The settlor married and had three children. Subsequently she became entitled to property which fell within

the covenant to settle. She then informed her trustees that she did not consider herself under any legal obligation to settle after-acquired property.

Simonds, J., following in *re Pryce* (1917 1 Ch. 234) directed the trustees not to take proceedings as the covenant to settle after-acquired property was unenforceable.

Will—Power of Appointment—Clause void for perpetuity—Further Clause independent of first clause, and containing saving words, creates a valid trust.

In *re Vaux, Nicholson v. Vaux* (No. 1) (187 L.T. 9), the Court of Appeal, over-ruling Simonds, J., decided a question vital to trustees who are given discretionary powers. The effect of the decision is that, although the will or trust instrument creating the power contains a clause which is void for perpetuity, yet the instrument may still create a valid trust by reason of a further clause containing saving words. The testator gave his residuary estate upon trust to pay the income to his wife for life, directed the appropriation of two sums for each of his two daughters, and then disposed of the residue by clauses 11 and 12. The Court of Appeal agreed with Simonds, J., that clause 11 was clearly void as offending the rule against perpetuities in that it directed his trustees for the time being to pay income and capital in such shares as they in their discretion thought fit to his children or their issue.

Clause 12 read: "I authorise my trustees to deal with the capital and income of my residuary trust fund, and pay away and deal with the same in all respects for the benefit and provision of my children or grandchildren as they may think best. And to act in all respects as I could have done if living save only that all such dealings with the residuary trust fund and the income and accumulations thereof shall be within the limitations prescribed by law." Simonds, J., had held that clause 12 could not be read as cutting down clause 11, but that it added a particular authority falling within the ambit of the trust created by clause 11, and that it could not be construed as an independent and effective provision not offending the rule against perpetuities. But the Court of Appeal held that clause 12 must be read as independent of, and additional to, clause 11, and was therefore valid, though apart from the saving words the power given to the trustees was to trustees for the time being, and therefore (again apart from the saving words) also void for remoteness. Yet on the true construction of the whole clause, including the saving words, the power was confined to a period which must terminate within the period of a life or lives in being at the testator's death and 21 years thereafter. The saving words amounted to a proviso that no interest must be appointed to a beneficiary which if given by the testator in his will would have offended the rule against perpetuities. There was no uncertainty about the saving words, and consequently the trust was valid.

COMPANY LAW

Rights of shareholders to obtain "split" certificates—Exercise of option to "split"—Construction of clause in a company's Articles.

The Court of Appeal recently decided a point of primary importance to shareholders when it overruled the judgment of the Vice-Chancellor of the Palatine Court of Lancaster. The case, *Sharpe v. Topham Limited* (55 T.L.R. 342), concerned the construction of Clause 12 of the Articles of Tophams Limited, a private company with a capital of £100,000 divided into £100 shares. The Article read: "Every subscriber shall be entitled to one certificate for all the shares registered in his name or to several certificates each for a part of such shares." The trustees had claimed that as registered holders they were entitled to have two or more share certificates for specific shares in substitution for, and equivalent in nominal value to, each multiple share certificate held by them, as they might from time to time require. The Vice-Chancellor held that shareholders had no right to demand new documents after they had once exercised the option given to them by Article 12.

The trustees of a deceased shareholder had pledged shares to the bank and in order to pay off the money they had borrowed, wished to raise money by similar pledges. It was therefore desirable to "split" the shares into smaller quantities, with the requisite certificates. The company had allowed this procedure on four occasions, but when the trustees asked for a fifth certificate, the directors replied that they alone had discretion to decide whether a shareholder should have "split" certificates. On behalf of the company it was argued that it ought not to be subjected to the whims of shareholders, who could not demand certificates for different amounts or an order on directors to issue such certificates.

In overruling the Vice-Chancellor's decision, Greene, M.R., remarked that the construction of the Vice-Chancellor would mean that a shareholder must decide at the moment when he became a shareholder (either by allotment or transfer) once for all, and with no possibility of ever obtaining a change, the exact way in which his holding was to be divided. That would be very inconvenient for a shareholder and the Master of the Rolls declined to take that view. The appeal was allowed and leave to appeal to the House of Lords was refused.

REMOVAL OF ARBITRATOR

The Bar Council are taking steps to suggest to the proper authorities that when an application is made to the Court for the removal of an arbitrator under the Arbitration Acts, 1889 and 1934, the arbitrator shall be given an opportunity of meeting the allegations made against him.

MUNICIPAL ACCOUNTS

The Debt of a Local Authority

The debt of a local authority has two aspects, which may be termed external and internal. In its external aspect it is the aggregate of a large number of obligations to persons and bodies who have advanced moneys on loan to the local authority, on terms and conditions of repayment which have been agreed between lender and borrower. In its internal aspect it consists of an aggregate of amounts of indebtedness which are separately related to specific purposes or objects upon which loan moneys have been expended under the authority of Parliament or of a Government department.

Where a loan has been raised for a specific purpose, and applied only to that purpose, the two aspects coincide in detail. "Earmarking" of loans is, however, losing favour, having been substantially abolished by the provisions of Part IX of the Local Government Act of 1933, and the general practice nowadays is to raise "general" loans which are not tied to specific purposes, but are available for any authorised borrowing purpose. This has advantages for both lender and local authority.

A mortgage deed securing an "earmarked" loan normally recites particulars of the loan sanction which is exercised by the borrowing, and relates the repayment period of the loan to the period of the sanction. Repayment of principal is made usually by yearly or half-yearly instalments, so that the amount owing to the lender from time to time equals the amount of debt outstanding on the asset or purpose to which the money has been applied under the authority of the loan sanction.

General loans, *e.g.*, mortgage loans raised under Part IX of the Act of 1933, are secured generally upon all the revenues of the local authority, without reference to any particular loan sanction, and there is consequently no restriction on their application to any specific purposes. Such loans commonly form part of a "general loans pool," which is managed according to the rules prescribed in the Ministry of Health's Accounts Order of 1930, unless they are merged with stock and other loans in a Consolidated Loans Fund set up under statutory authority with the approval of the Minister of Health. It must be clearly understood, of course, that borrowed moneys may be applied only towards the acquisition of permanent works and purposes duly approved by the sanctioning authority—*i.e.*, the Minister of Health, the Electricity Commissioners or the Minister of Transport, according to the service or undertaking concerned. The instruments creating the individual general loans are not directly related to specific borrowing purposes; but in the aggregate the loans outstanding

must not at any time exceed the total amount of the undischarged borrowing powers.

The distinction between the external and internal aspects of local authority debt is most clearly marked in a consolidated loans fund, in which the borrowing and repayment of loans—*i.e.*, the external transactions with lenders, are dissociated from the exercise and discharge of borrowing powers—*i.e.*, the internal transactions with the service accounts. Here recognition is accorded to the true nature of so-called sinking or redemption fund contributions: they represent the provision required to be made annually out of revenue *in discharge of the expenditure* which has been met out of borrowed moneys (rather than the provision set aside and accumulated for repayment of the external loan) in compliance with the principle that all expenditure of a local authority must ultimately be met out of revenue. Sinking fund contributions bear no direct relation to the repayment of the moneys borrowed to finance the expenditure so discharged.

The aggregate relationship between the two aspects of debt may be illustrated by the following statements, containing hypothetical figures which might apply to a local authority which maintains a consolidated loans fund:—

STATEMENT I.—LOANS OUTSTANDING

Type of Loan	At	At
	31/3/37	31/3/38
	£	£
Stock	500,000	500,000
Mortgages	340,000	420,000
Other funds of the local authority	70,000	80,000
Temporary loans	50,000	70,000
Bank overdraft	40,000	30,000
	£1,000,000	£1,100,000

STATEMENT II.—OUTSTANDING DEBT

Subject	Loan Period (Years)	£	£
Land	60	60,000	59,000
Buildings	30	150,000	145,000
Roads, street improvements	20	200,000	190,000
Sewers and sewerage works	30	300,000	290,000
Plant and machinery	15	15,000	14,000
Other assets ... (say)	25	275,000	264,000
Schools	30	—	138,000
		£1,000,000	£1,100,000

Statement I shows the broad composition of the loan debt. One-half of it consists of stock, which may have a life of some 20-25 years, and if recently issued probably bears interest at the rate of $3\frac{1}{2}$ per cent. The mortgages may be few or numerous,

ranging in currency from their respective dates of issue over periods varying from (say) three years to thirty years, and carrying rates of interest ranging perhaps from $2\frac{1}{2}$ to 5 per cent. or more. The temporary loans would have a term of six months or less, with interest at about $1\frac{1}{2}$ per cent.; and the overdraft would bear interest in accordance with the local authority's arrangements with their bankers.

The item "other funds" indicates an interesting and growing development in local authority debt, namely, the use for capital purposes of the various funds which are accumulated for and in connection with the different services of the local authority—e.g., superannuation funds, trading reserve funds, insurance funds, housing repairs funds, etc. As an alternative to investment in outside securities, the moneys of these funds may, for example, be paid into the consolidated loans fund, where they rank as moneys deemed to be borrowed by the authority, to be used subject to conditions as to repayment to the lending fund when required, and as to the payment of a fair rate of interest. The internal use of such funds is invariably regulated by statutory conditions which guard against any conflict of interest which might arise when the local authority is both lender and borrower; and the practice is steadily increasing. In the case of one local authority, about one-sixth of the total debt consists of loans from their other funds.

The total amount of interest paid on all loans is charged out at the *average rate* paid, in proportion to the outstanding debt on the various services and undertakings. As these interest charges must be met out of rates and trading revenues, it follows that the local authority will strive to secure a low average rate of interest on loans, consistent with some measure of stability in the external loan position. Local authorities have a wide discretion as to the terms upon which they may borrow money, and nothing but their inherent common sense can prevent them from borrowing either always "short" or always "long." There is as a rule a conscious effort to "mix" the debt so as to make the most of the different advantages of long and short-term borrowing, and to limit the risk of having to renew a very large amount of maturing loans at a time which might be inconvenient. A further point is that the ruling rates of interest exercise an important influence on borrowing policy.

The changes in the composition of outstanding loans which are assumed in Statement I to have taken place in the year shown are, of course, net changes only. Thus, a net increase of £80,000 in mortgage loans may reflect the raising of new mortgage loans of £200,000, and the repayment of maturing loans totalling £120,000. The net change in total shows that loans outstanding have increased by £100,000. It is only the total change which is related to the totals in Statement II—the details of the two statements are unconnected.

Statement II exemplifies the important principle that all local authority debt must be redeemed within a period corresponding roughly to something less than the life of the assets acquired, and for convenience the usual periods allowed for redemption are inserted in the statement. It is also assumed that the debt shown has been newly incurred, in order to illustrate the redemption in the periods given of the various amounts of debt by reducing them by a fraction corresponding with the period appropriate to each purpose or service—i.e., by one-sixtieth for a 60-year period, one-thirtieth for a 30-year period, and so on. At option, debt may be discharged by either the annuity or the fractional instalment method; the instalment method is increasingly used, for, though it is more onerous in early years, it is in the long run the cheaper method, and it helps to control the increase of debt.

It will be observed that the debt on the first six items in the statement has been reduced during the year by a total sum of £38,000. These amounts have been separately charged to the appropriate revenue accounts as the provision made during the year towards redemption of debt. But for the acquisition during the year of further capital assets at a cost of £138,000, the sum of £38,000 would have been available for application in reduction of loans outstanding, and both loans outstanding and outstanding debt would have figured at £962,000 at March 31, 1938; in this event the amount of new mortgage loans raised would probably have been smaller, or there might have been a contraction in the amount of temporary loans. The expenditure of £138,000 on "schools" has in effect been met by the external borrowing of £100,000, and the use of debt redemption moneys amounting to £38,000. This latter use, involving the complete application of the long-proved practice of using sinking funds for new capital purposes, is a prominent characteristic of the operation of the consolidated loans fund, which is at once a simplified and economical instrument of loan and debt management.

The few typical subjects of debt which are classified in Statement II may be expressed objectively in terms of services or undertakings; objective classification of debt is indeed usual. The total debt of local authorities in England and Wales amounts to some £1,500 million, of which housing services account for about 38 per cent., trading undertakings 34 per cent., public health services 9 per cent., highways and bridges 8 per cent., education 5 per cent., and other purposes 6 per cent. The total value of the corresponding assets must be much in excess of the outstanding debt, without taking into account the considerable volume of capital expenditure which is met by direct charge to revenue.

It will be seen that in one sense local authority debt is constantly and steadily being reduced, by

means of the annual application of revenue contributions towards its discharge. The increases in debt which have taken place in past years reflect expenditure on the acquisition of fresh assets and the expansion of the capital equipment of the public services, the cost of which has in each year exceeded the total provision made out of revenue for debt redemption. New debt is incurred while old debt is

in process of being discharged. If and when the annual provision for redemption regularly exceeds the new loan expenditure incurred, local debt must obviously fall. It is in no sense permanent. It will ultimately be extinguished by a process which continues notwithstanding the assumption of fresh commitments, and while it exists it is represented by assets of a value greatly in excess of its amount.

FINANCE

The Month in Finance

Falling Securities Prices

The 1939 Stock Exchange year has opened in decidedly gloomy fashion. In view of the prevailing political nervousness, the decided improvement in the outlook for sterling, due to the technical measures taken in its defence, found little reflection in the tone of markets, though at first some support was provided by the hopes pinned upon the visit of Mr. Chamberlain and Lord Halifax to Rome. The failure of that visit to produce any concrete results was one cause of the subsequent slide in prices. This was accentuated by various disquieting developments in the political field, first the German press campaign against Holland due to some shooting incidents, then the fear that the climax in the Spanish war, which seemed to be approaching, would bring either the abandonment of non-intervention by the democratic powers, or some move in the Mediterranean by the dictatorships. Finally, sentiment was disturbed by the fear of what Herr Hitler might say in his speech at the end of the month, particularly after the ominous dismissal of Dr. Schacht. This combination of political fears caused the general level of prices to break through a resistance point. Since last March, when the *Financial News* index of ordinary shares touched a low point of 79.4, prices had only broken through that level on two occasions, each of which had a special explanation—namely, the Munich crisis and the Christmas period, when markets were particularly thin. In the third week of January that level was, however, decisively broken, and by January 26 the index had slumped to 73.7, or exactly the same point as on the worst day of the Munich crisis. This does not mean that the market regards war as equally imminent as it seemed on that day, but it strikingly illustrates the demoralization caused by prolonged suspense and doubts about international politics. Outstanding weak features have been German bonds, Chinese bonds, and South African gold-mining shares, which have been depressed by heavy selling from Johannesburg, again largely on political fears. There is the danger that the level of business activity, which had been maintained at a steady level since last May, may be depressed by the continued uncertainty and the check to enterprise which it represents. The December figures of building

plans approved, for example, showed a very sharp decline, undoubtedly for this reason.

Strengthening the Exchange Account

With the Stock Exchange still in the doldrums, the interest of the City has been largely focused on the series of measures taken for the defence of sterling. About the middle of December the Chancellor announced the re-imposition of the restrictions on foreign issues which had been relaxed last February "in view of the strength of sterling." Shortly afterwards the banks were requested to discontinue lending against gold, and to discourage "undesirable" exchange transactions; while a day later came the extremely important announcement of the transfer to the Exchange Account of gold to the value of £350 million at market prices. This gold was, of course, that which had been acquired from the Exchange Account over a series of years by the Bank of England. As a result of the transfer, the Bank of England's holding, valued at 85s. an ounce, was reduced from £326.4 million to £126.4 million, its place being taken by an increase in the fiduciary issue (that part of the note circulation backed not by gold but by securities) from £230 million to £400 million, the highest level ever reached. Under the Currency and Bank-note Act of 1928 the Treasury already possesses powers to sanction such an increase in the fiduciary issue for a maximum period of two years without legislative approval by Parliament. That Act, however, was intended only to introduce elasticity into our monetary arrangements by enabling the Treasury to authorise *temporary* increases in the fiduciary issue, and so do away with the necessity for the wholly illogical expedient, adopted in various crises during the 19th century, of suspending the Bank Act. The Treasury has, therefore, decided to apply to Parliament for an amendment of the 1928 Act. It will be interesting to note when this is done whether powers are taken at the same time to revalue the Bank of England's gold at some price higher than the old statutory figure of 85s. an ounce, if that should be deemed desirable.

No Exchange Speculation

At the end of December the Chancellor made the fourth of his half-yearly statements on the amount

of British monetary gold stocks. This revealed that in the six months from end-March to end-September the gold holding of the Exchange Account was just about halved, falling from £297.8 million, valued at 140s. per ounce, to £151.8 million at the later date. In the last quarter of 1938 sterling was subjected to further heavy pressure, as a result of which the Exchange Account's holding must have fallen by the end of the year to about £100 million at market prices. After the huge transfer from the Bank of England, therefore, its resources must have amounted to close on £450 million, which should be more than enough to offset almost any conceivable withdrawals of foreign capital, since the amount of foreign funds in the form of bank deposits or readily negotiable securities is estimated at little more than £200 million. It should be clearly understood that the purpose of the various embargoes is not to prevent a flight of capital, but merely to place difficulties in the way of speculation against sterling. It is still open to anybody who wishes to do so to walk into a bank and buy dollars or other currencies, without even enquiries being made, provided that he pays for them cash. In addition, traders are still at liberty to carry out any operations in forward exchange which may be entailed by their business. What has been stopped is speculation against sterling with the aid of borrowed money. Banks will no longer be prepared to advance money for the purpose of buying currencies, though the precise interpretation of the embargoes has yet to be worked out. The Stock Exchange has been requested to co-operate in enforcing the embargoes, but at the moment it is by no means clear exactly what part it is expected to play.

Banking Results

From £1,744 million in 1933, the deposits of the "Big Five" banks rose steadily to £2,030 million in 1937, this naturally being one result of the cheap money policy which has been in progress since 1932. During 1938, however, there was a sharp contraction, the balance-sheets of the "Big Five" showing a decline of over £80 million in deposits to £1,950 million. For this contraction the chief reason was, of course, the heavy withdrawals of foreign money from London during the second half of the year. When foreign balances are withdrawn, the result is that the Exchange Account uses the money it receives against its sales of gold and dollars to redeem Treasury bills. Thus the main counterpart of the fall in deposits is a decline of £52 million in bills and call-money. Owing to the setback in trade, advances have fallen by slightly over £5 million, while the banks have reduced their investment holdings on balance by £12.6 million. Taking the year as a whole, however, advances on the average were slightly higher and it is probable that the banks' actual earnings were well maintained. On the other hand, increased provision must have been required for doubtful debts and contingencies, so that it is not surprising to find that the combined

net profits of the five banks fell from £10,100,000 in 1937 to £9,406,000 last year, or slightly less than in 1936; though if allowance is made for income-tax and N.D.C., indications are that earnings before tax were actually more than £900,000 higher than in 1936, though £400,000 lower than in the previous year. All the large banks maintained their dividends, though the Westminster Bank disappointed the share market by reducing its distribution by the whole of the special 2 per cent. bonus paid in the previous year. Martins Bank actually raised its dividend from 14 to 14½ per cent., and the District Bank's final being maintained at the higher level of the previous two half-yearly payments, its total distribution for the year was 18½ per cent., against 17½ per cent. Although the December averages showed some recovery in advances, it seems likely that the decline in bank deposits will continue at least for some months, as the supply of Treasury bills must almost inevitably be reduced by the payment of revenue during the final quarter of the financial year. If this takes place, banks may find some difficulty, as Mr. Edwin Fisher pointed out in his speech at Barclays Bank meeting, in maintaining the normal proportion of liquid assets which they like to hold. In this case there is some danger that they would be induced to decrease their investments and advances, which now represent about 70 per cent. of deposits, or about the normal maximum. It has been suggested, therefore, that the authorities, to prevent such a deflation, and at the same time stimulate industry while preparing the way for re-armament finance, should maintain the supply of bills to the market by acquiring longer dated securities with the tap bills held by public departments.

LETTER TO THE EDITOR

Commission Paid for Subscription of Shares in a Private Limited Company.

DEAR SIR,—In Section 105 of the Indian Companies Act, 1913, which is equivalent to Section 43 of the English Companies Act, 1929, it is lawful for a company to pay commission to any person in consideration of his subscribing or agreeing to subscribe for any shares in the company . . . if (1) the payment of commission is authorised by the company's Articles, and (2) if the commission paid does not exceed the amount so authorised, and (3) if the amount of commission agreed to be paid is disclosed in the prospectus or in the statement in lieu of prospectus and filed with the Registrar.

A private limited company is authorised by its Articles to pay commission to any person in consideration of his subscribing shares of the company. In view of the fact that the third requirement as regards disclosure in the prospectus or in the statement in lieu of prospectus obviously cannot be complied with by the private limited company, it is desired to know whether such commission can be at all paid by a private limited company in spite of the fact that there is express provision in the company's Articles to that effect.

Yours faithfully,

Bombay, January 6th, 1939.

"ARCADIA."

Points from Published Accounts

Turner & Newall.—The report and accounts of Turner & Newall, Limited, are invariably clear and comprehensive. They include the statutory balance sheet and profit and loss account, a consolidated balance sheet, and a print of the chairman's speech. Several interesting points arise from the accounts. First, the statutory balance sheet provides a clear analysis of total fixed assets by giving, for each of the items "freehold and leasehold land and buildings" and "machinery and plant," the opening gross total of the account, net additions during the year, and the depreciation reserve, which is deducted from these two figures to give the net balance sheet total. Such particulars are too frequently withheld from balance sheets. The item for subsidiary companies sets out in detail the parent company's share and debenture holdings in the subsidiaries, and also includes amounts owing by subsidiary companies, including dividends receivable. The placing of this latter sum among "total fixed assets" is perhaps the one item in the entire report which might be regarded with mild reservation. In addition, the balance sheet gives a detailed analysis of the company's investments which are analysed in full in a subsequent schedule to the report, showing each individual holding in the company's portfolio, and details of the investment holdings of the subsidiary companies. This is a practice which deserves commendation.

Consolidation Points.—Two points of interest arise in connection with the position of the Turner & Newall group as a whole. The first concerns the statement on the profit and loss account under Section 126 of the Companies Act. This shows that the profits of Turner and Newall Limited for the year include the profits, less losses, of the subsidiary companies as shown by the latter's audited accounts—in other words, the disclosed profits of Turner & Newall Limited are, in fact, the net consolidated profits of the whole group, subject, of course, to any internal reserve provisions which have been made before striking the published figures. Secondly, the consolidated balance sheet shows the division of each item between the parent and subsidiary companies and, unlike many such documents, it specifically informs the shareholder of the point at which consolidation has been affected. The balance sheet, in fact, combines the assets and liabilities of Turner and Newall with those of the subsidiary companies in which the shareholding is not less than 75 per cent. of the issued share capital. In the case of this group, of course, the policy has been, as far as possible, to obtain 100 per cent. control of its subsidiaries.

F. W. Woolworth Directors' Remuneration.—The disclosure of directors' fees in accounts is specifically governed under Section 128 of the Companies Act of 1929. The total amount paid to directors as remuneration, including all fees and other emoluments from the parent company or from any subsidiary company, must be disclosed, but sub-section 3 permits the withholding of information relating to the remuneration of a managing

director and any other director who holds salaried employment or office in the company. In such cases only the total amount paid by way of directors' fees need be disclosed. The position of F. W. Woolworth and Co. in this respect is interesting, for after the company was made public in 1931, and up to 1936, an amount was provided each year for directors' fees varying from £10 to £45. Such sums, clearly, bore no relation to the total remuneration of the directors, and in 1937 and again last year no remuneration was shown in the accounts. The Woolworth board of directors, in fact, is an example of a full-time service board of which all the members hold salaried employment with the company, irrespective of their position as directors. In another respect, also, its constitution is somewhat unusual, for the company's Articles of Association provide that all directors, with the exception of the chairman, retire each year and have to present themselves for re-election.

Bank Accounts.—Bank accounts tend to follow a set form and do not provide many exceptional accounting points. From a more general point of view, the treatment of income tax is of some interest. Of the "big five" banks, Barclays, Lloyds, Midland and Westminster strike their profits after charging the full amount of tax. Hence, the dividends which are shown in the accounts are the net figures, after deduction of income tax at the standard rate. The National Provincial accounts, however, are drawn up on a gross basis and the total amount of dividends payable to shareholders are accordingly shown before any deduction for income tax. This difference of taxation treatment affects the comparability of the movement of profits between different banks. In the case of the National Provincial, only the amount of tax borne on undistributed profits has to be provided, whereas, in other cases, the full provision, including that which is effectively borne by the shareholders, is set aside. The effect of grossing up the disclosed profits figures of the "big five" and making an adjustment for the fact that three-quarters of a year's N.D.C. was payable in 1937 compared with a whole year's contribution for 1938, is to cushion the disclosed fall in profits. The disclosed profits amounted to £10,099,884 in 1937 and £9,406,376 in 1938. On a gross basis, the corresponding figures are £13,500,000 for 1937 and £13,080,000 for 1938.

William Timpson.—At the end of 1937 William Timpson Limited made a striking improvement in their form of accounts. They show vividly what can be achieved by clear type setting and the use of red ink for comparative figures. The profit and loss and appropriation accounts are of the tabular type usually employed in a directors' report, and are very simple to follow. A point on which mild criticism may be entered is that the available balance shown in the profit and loss appropriation account is subjected to an immediate deduction for the amount transferred to reserve, leaving the net balance available for dividends after reserve provisions. This may be a realistic

arrangement, on the argument that the directors retain the primary power to make reserve provisions, leaving only the dividends to receive the formal sanction of the shareholders. From the point of view, however, of showing the full earnings for the year and their distribution as between dividends and reserves, the arrangement is, perhaps, less clear. The fixed assets are displayed in the balance sheet horizontally. There are four categories and reading from left to right the net

cost at the opening of the year, net outlay during the year, depreciation for the year and the final balance at the end of the year are shown. This method is being increasingly adopted for balance sheets of manufacturing concerns, and it results in a clear statement of the position. Perhaps its only drawback, as in the William Timpson case, is that space sometimes prevents the publication of full comparative figures for the preceding year.

STUDENTS

Garner v. Murray

The case of *Garner v. Murray* is one which still causes constant difficulty. The facts and figures in the case were these. Garner, Murray and Wilkins were equal partners who had no written agreement. They dissolved the partnership and, as a result of the realisation of the assets, a loss was incurred. After payment of the creditors and of advances which had been made by G. and M., their Balance Sheet stood, approximately, thus:—

	£		£
Garner—Capital Account ...	2,500	Wilkins—Deficiency Account ...	263
Murray—Capital Account ...	314	Loss on Realisation ...	635
		Cash ...	1,916
	<hr/> 2,814		<hr/> 2,814

W. was insolvent and was unable to liquidate his indebtedness. The only asset was, therefore, the cash and the only claims then against it were those of G. and M. Thus, the purpose of the whole case was to decide how G. and M. were to divide between them the £1,916.

A brief report of the case can be found in *The Accountant Law Reports*, 1905, p. 3. From this, it can be seen that plaintiff's counsel argued that, according to Lindley on Partnership, "a deficiency of capital must be treated like any other loss," that the Partnership Act, 1890, Section 24 (1), stated that all partners "must contribute equally towards losses whether of capital or otherwise sustained by the firm," and that Section 44 of the same Act stated that "Losses, including losses and deficiencies of capital, shall be paid if necessary by the partners individually in the proportion in which they were entitled to share profits," i.e. in this case, equally.

These arguments seem most reasonable and, had they been upheld, the effect would have been that the loss on realisation would have been divided among the three partners equally, say, G. £212, M. £212, and W. 211. W.'s account would have been in debit by £474 (i.e. £263 plus £211), and this, in turn, would have been treated, as between G. and

M., as a loss no different from any other loss, and would have been divided equally between them. M.'s account would then have gone into debit by £135 (i.e., share of loss £212 plus share of W.'s deficiency £237 minus original credit balance £314), while G.'s account would have been still in credit by £2,051 (i.e., original credit £2,500 minus share of loss £212 and minus share of W.'s deficiency £237). The balance sheet at this point would have appeared:

	£		£
Garner ...	2,051	Murray ...	135
		Cash ...	1,916
	<hr/> 2,051		<hr/> 2,051

and the final settlement would have been that G. would have taken the whole of the original £1,916 and, in addition, the £135 which M., not being insolvent, would have had to contribute to settle his indebtedness.

After argument by counsel for the defendant, Mr. Justice Joyce took the view that according to Section 44 (in particular sub-Section b (3)) the assets must be applied in paying to each partner rateably what is due from the firm to him in respect of capital, account being taken of the equal contribution to be made by him towards the deficiency of capital.

Thus, the loss on realisation would be divided equally among the partners. Then G. and M. would bring in cash to meet the resulting "deficiency of capital" and after the two entries on the respective capital accounts of G. and M. had cancelled each other, the balance sheet would appear:—

	£		£
Garner ...	2,500	Wilkins ...	474
Murray ...	314	Cash ...	1,916
		Add G. ...	212
		„ M. ...	212
	<hr/> 2,814		<hr/> 2,340
			<hr/> 2,814

At this point, without any regard being paid to Wilkins' debit, Section 44, b. (3) would be applied and G. and M. would be paid rateably from the available

cash, or, in other words, they would take a dividend, since only £2,340 is available in cash to meet claims amounting to £2,814. The share of G. would be £2,079 (i.e., $\text{£}2,500 \times \frac{\text{£}2,340}{\text{£}2,814}$); M.'s share would be £261 (i.e., $\text{£}314 \times \frac{\text{£}2,340}{\text{£}2,814}$). Now, if the amounts already paid in by G. and M. respectively, are deducted from these sums, it can be seen that the original £1,916 would have been divided thus:

Garner	$\text{£}2,079 - \text{£}212 =$	...	$\text{£}1,867$
Murray	$\text{£}261 - \text{£}212 =$	...	49
			<hr/>
			$\text{£}1,916$

Thus M.'s position is better by £184 than it would have been if the first arguments had been sustained. When G. and M. have been paid the sums due to them, unsatisfied balances will remain on their capital accounts, namely, £421 and £53 respectively. To close the books, these are set off against W.'s debit and, as a consequence, it will thus be found that W.'s debit has actually been borne by G. and M. in proportion to their original capitals.

PUBLICATIONS

The Month's Publications

Introduction to Accounting. By Dallas S. Bolton, B.Sc., C.P.A. Second Edition. (New York: John Wiley & Son, Inc. Price \$4 net. London: Chapman & Hall, Ltd. Price 20s. net.)

Planned to meet the needs of a first year accounting course, the interest of this book to British readers lies mainly in the contrast between English and American teaching methods. For example, the essential exposition of the theory of double-entry is here given only a secondary place and is then dealt with in terms which would seem unduly complex to us. There is a tendency to secure the appearance of accuracy of thought by tabulating principles in neat tables, in the same way as a spurious atmosphere of clarity can be imparted to a letter by numbering the paragraphs. The danger of teaching of this prevalent type is that students get insufficient experience of using their own powers of analysis and so miss an essential part of the training of an accountant. The excellencies of other sections of this book illustrate, however, the deficiencies of most British accountancy text books. Thus the meaning and purpose of accounts, the arrangement of the profit and loss account and the balance sheet and problems of valuation are considered in unusual detail, while the questions and problems are full and practical.

Lectures and Transactions of the Incorporated Accountants' Students' Society of London and District, 1937-38. (Incorporated Accountants' Hall, Price 3s. 6d. net; 4s. post free.)

This, the forty-second volume of the well-known "Lectures and Transactions" cover the autumn session,

It is well worth noticing that the essential point in the judgment was the rateable division of the available assets among the solvent partners and *not* the fact that W.'s debit should be borne by G. and M. in proportion to their capital accounts. This follows arithmetically as a result of the partners taking rateably what cash remained, but it is only a consequence of the judgment and is not the judgment itself.

Accordingly, the following rules for working examples are suggested as being more logically in accordance with the judgment than those sometimes given.

- (1) Divide loss on realisation among all partners according to their profit sharing ratio.
- (2) Solvent partners bring in cash sufficient to restore their capital accounts to the levels at which they stood prior to (1).
- (3) Solvent partners divide rateably whatever cash is available.
- (4) The balances still unsatisfied on the solvent partners' accounts are then just sufficient to wipe out the debit balance on the insolvent partner's account.

1937, and the spring session, 1938. It marks a further development in the policy of the Committee of widening the scope of the lectures and discussions, and includes the report of two meetings for which students were entirely responsible, one in the form of a debate, and another consisting of three short papers.

A report of outstanding interest is of a demonstration hearing of a case stated by the General Commissioners pursuant to the provisions of Section 149 of the Income Tax Act, 1918. Mr. Roland Burrows, K.C., acted as the Judge, with two eminent barristers, Mr. Terence Donovan and Mr. G. G. Honeyman, as Counsel. The case is argued exactly as in actual practice, and student readers will therefore find this report of great value. The second practical demonstration is of a practice arbitration with Mr. C. B. Hewitt acting as arbitrator. The imaginary case concerned a claim against an insurance broker for alleged negligence in connection with a motor insurance renewal notice, and here again the report shows clearly that the proceedings were kept as true to life as is possible in practice meetings of this character.

Of special interest to examination candidates is a discussion opened by Mr. H. A. R. J. Wilson on "Hints for the Examination Room." In a paper on "The Training of the Practising Accountant," Mr. C. N. Walter describes what, in his view, constitutes the ideal training for the profession; it may be that all his recommendations are rarely attainable, but the principles he lays down should be of the greatest benefit to students and to practitioners.

Mr. W. J. Back, expressing himself in his usual clear and concise manner, is responsible for a lecture on the

Finance Act, 1937. He deals mainly with the provisions relating to National Defence Contribution. The same author contributes a further paper on "Partnership Accounts and Taxation," which should do much to elucidate some of the more difficult points on this subject.

The volume also includes several other lectures in which the specialised knowledge of those giving them has been placed at the disposal of students. Mr. G. F. D. Rice contributes a paper on "Errors encountered in Auditing," Mr. A. C. Deffee deals with "Practical Points on Farm Accounts," whilst Mr. C. McAuley, in an address on "Distribution in Relation to Monetary Policy," deals with that branch of economic theory which is concerned with the tendencies affecting the distribution of the national dividend.

The volume, as a whole, is a worthy companion to those which have preceded it, and the Committee of the Students' Society is to be congratulated on the success with which it is able to compile a fresh syllabus each half-year.

The Finance of British Government, 1920-1936.

By Ursula K. Hicks, M.A., B.Sc.(Econ.) (Oxford University Press. London: Humphrey Milford. Price 15s. net.)

Mrs. Hicks undertook such a weighty task in attempting to cover the economic implications of public finance during the years 1920-36, that it is perhaps ungrateful if we confess disappointment that the dominant financial problem of to-day—the financing of rearmament—falls outside her terms of reference. She has amassed such a store of statistics and material, however, that her book cannot but be of value in an understanding of that problem. She traces, in large part in statistical terms, the relevance of public expenditure and local and national taxation in the wide economic context from which these factors are too frequently divorced. In parts of the book this type of analysis leads to discussion of some problems in public finance which have been largely ignored. To take only one example, in the chapter on "Taxation and the Trade Cycle," Mrs. Hicks has a valuable contribution to make regarding the effects of price and income changes on the burden of existing taxes and the revenue, the "ironing-out" of economic fluctuations by fiscal means and the question of how greater stability may be introduced into the taxation structure.

Rates Levied in Various Towns, 1938-39.

By W. Allison Davies (Borough Treasurer, Preston).

This annual publication by Mr. W. Allison Davies, C.B.E., F.S.A.A., is a comprehensive summary of the rates levied in various towns. It gives an analysis of the component parts of the rates and other statistics (for example, population, rateable value and area). It is framed to show the extent to which rates have been affected by municipal undertakings and estates. The charges for gas and water supplies and the average prices received for certain electricity supplies, together with the profits and losses on municipal undertakings, are given. Those having occasion to trace the course of rates in a particular town cannot do better than refer to Mr. W. Allison Davies's annual statements.

BOOKS RECEIVED

Handbook on Trade Marks and Trade Names.

Second edition. By Joseph Ricardo, Barrister-at-Law, and J. E. S. Ricardo, B.A., Barrister-at-Law. (Jordan & Sons, Ltd. Price 15s. net.)

Logarithmic and Other Tables for Use at Examinations.

By Frank Castle, M.I.Mech.E. (Macmillan & Co., Ltd. Price 6d.)

Business Profits, Professions and Employments.

Tolley's Tax Manuals—1. By Charles H. Tolley, A.C.I.S., F.A.A. Fourth edition. (Waterlow & Sons, Ltd. Price 3s. 6d.)

Statistics in Theory and Practice.

Third Edition, By L. R. Connor, M.Sc.(Econ.). (Sir Isaac Pitman & Sons, Ltd. Price 12s. 6d. net.) To be reviewed.

Origin and Evolution of Double Entry Book-keeping.

By Edward Peragallo, Ph.D. (American Institute Publishing Company. Price \$5.)

NEW COMPANIES IN 1938

Those seeking for material with which to emphasise the business decline could not do better than seize upon the figures of new public company registrations. The picture these figures present is unpleasant enough: only £8,740,000 of initial nominal capital last year, compared with £37,620,000 in 1937, £49,360,000 in 1936, and £54,871,000 in 1935, and less than 200 new public companies, compared with well over 400 in each of the preceding three years. The optimist is entitled, however, to look at the obverse of the picture—firstly, at the fact that private companies with small nominal capital are often changed, soon after registration, into public companies with large capital and secondly, at the new registrations of private companies. Here the spark of business enterprise was still a-glowing even in 1938. New nominal capital of private companies amounted to £61,000,000, and this compares with £75,970,000, £108,860,000 and £81,760,000 in the previous three years. There was a falling off in 1938, to be sure, but it was much less marked than in the public company group. The number of new private companies was 12,414, an increase on the figure for 1937 (12,306), and not very much less than in 1936 and 1935, when registrations totalled 13,324 and 12,673 respectively. Jordan and Sons point out in their statistical report, to which we are indebted for these figures, that the experience of the second half-year, despite international crises, was better in some respects than that of the first half. For example, of the year's total of public capital, more than three-quarters was raised in the latter six months.

The monthly set of specimen accounts, prepared by the Incorporated Accountants' Research Committee in the "Design of Accounts" series, is held over until next month.

The Economic Position in the United Kingdom*

Items.	Unit of Measurement.	Monthly Averages.					Dec., 1937	Nov., 1938	Dec., 1938
		Year 1930	Year 1937	Year 1938	Oct.-Dec., 1937	Oct.-Dec., 1938			
1. NEW CAPITAL ISSUES (Midland Bank Statements) :									
(a) United Kingdom purposes	Million £'s	10.6	11.5	7.7	11.7	7.3	10.7	10.9	9.3
(b) Oversea purposes	Million £'s	9.1	2.7	2.1	3.0	1.0	7.1	1.9	0.3
Total—all purposes	Million £'s	19.7	14.2	9.8	14.7	8.3	17.8	12.8	9.6
Per cent. of 1930		100.0	72.4	50.0	74.7	42.4	90.6	65.1	48.8
2. BANK CLEARINGS (Aggregate of Metropolitan, Country Cheque and Provincial—England and Wales)—									
Average amount daily...	Million £'s	20.0	24.3	22.8	24.3	23.0	24.4	22.5	23.0
Per cent. of 1930		100.0	121.5	114.0	121.5	115.0	122.0	112.5	115.0
3. POSTAL RECEIPTS (UNITED KINGDOM) : Average amount daily	Thousand £'s	135.0*	153.7	154.8	173.6	175.4	207.3	159.3	209.8
Per cent. of 1930		100.0	113.4	114.2	128.1	129.4	152.9	118.1	154.8
4. WHOLESALE PRICES —BOARD OF TRADE INDEX NUMBER		100.0	108.7	101.4	108.9	98.6	107.6	98.4	98.3
5. MOTOR SPIRIT —Entered for Home Consumption	Million galls.	77.4	109.8	112.4	104.1	103.1	99.7	105.4	101.6
Per cent. of 1930		100.0	141.8	145.2	134.5	133.2	128.8	136.2	131.3
6. RAILWAYS —FREIGHT TRAFFIC (Great Britain) (1)									
(a) Coal, Coke and Patent Fuel	Million net ton miles	741	742		776				
Per cent. of 1930		100.0	100.0		104.6				
(b) Other Minerals and General Merchandise	Million net ton miles	744	790	†	814	†	(2)	(2)	(2)
Per cent. of 1930		100.0	106.2		109.4				
7. SHIPPING — ENTRANCES AND CLEARANCES with cargoes in the Foreign Trade—									
(a) Entrances...	Million tons net	5.31	5.87	5.70	6.03	5.58	5.86	5.37	5.50
Per cent. of 1930		100.0	110.5	107.3	113.6	105.1	110.4	101.1	103.5
(b) Clearances...	Million tons net	5.49	5.12	4.91	5.08	4.98	4.84	4.89	4.70
Per cent. of 1930		100.0	93.2	89.4	92.6	90.7	88.2	89.1	85.6
8. SHIPPING FREIGHTS —Chamber of Shipping Index (3)									
Per cent. of 1935		(3)	175.6	126.9	164.6	124.7	141.0	122.3	124.1
9. EXTERNAL TRADE —									
(a) Net Imports—Value as declared	Million £'s	79.8	79.4	71.6	89.8	71.4	89.3	72.9	69.3
Value at 1935 prices	Million £'s	62.1	66.5	63.5	74.6	65.6			
Per cent. of 1930		100.0	107.0	102.2	120.1	105.7	(4)	(4)	(4)
(b) British Exports—Value as declared	Million £'s	47.6	43.4	39.2	45.2	41.4	43.9	42.9	39.1
Value at 1935 prices	Million £'s	40.8	39.4	35.0	40.0	37.3			
Per cent. of 1930		100.0	96.6	85.8	98.0	91.4	(4)	(4)	(4)
(c) Net Imports of Raw Materials—Value as declared	Million £'s	17.7	23.2	18.1	25.5	16.7	24.9	16.3	15.1
Value at 1935 prices	Million £'s	13.9	18.5	16.3	21.1	15.4			
Per cent. of 1930		100.0	133.0	117.5	152.3	110.7	(4)	(4)	(4)
10. INDUSTRIAL PRODUCTION —BOARD OF TRADE INDEX NUMBER		100.0	132.8	†	136.4	†	(4)	(4)	(4)
11. EMPLOYMENT (Great Britain) :									
(a) Estimated number of insured workers (aged 16-64) in employment (5) (6)	Millions	9.80	11.50†	11.41†	11.56†	11.45†	11.44†	11.43†	11.45†
Per cent. of 1930		100.0	117.2	115.8	117.5	116.3	116.2	116.0	116.3
(b) Number of insured workers (aged 16-64) unemployed (6)	Thousands	1,927	1,413†	1,716†	1,448†	1,738†	1,584†	1,755†	1,742†
Per cent. of 1930		100.0	74.2	92.1	77.7	93.3	85.0	94.2	93.5

(1) The monthly averages for the years are based on definite figures, but those for the quarters are adjusted for the periods. (2) Information is not available in respect of calendar months. (3) New index, published by courtesy of the *Chamber of Shipping of the United Kingdom*; the comparable figure for the year 1930 is about 102. (4) The calculation is made quarterly only. (5) Allowance is made for sickness, etc., and for trade disputes. (6) Exclusive of persons within the agricultural scheme and persons in the classes of domestic employments which first became insurable on April 4th, 1938. Inclusive of these classes the figures of insured workers in employment for November and December, 1938, were 12,258,000 and 12,263,000, respectively, and the average for October to December, 1938, was 12,272,000. The numbers of insured workers unemployed for the corresponding periods were 1,797,000, 1,804,000 and 1,784,000, respectively. * This figure is not strictly comparable with those of later periods (see *Board of Trade Journal*, April 29th, 1937, p. 603). † Not yet available. ‡ Provisional figures. ‡ The method of counting the unemployed was altered in September, 1937 (see *Ministry of Labour Gazette*, October, 1937, p. 379). On the old basis of count the number unemployed at the date of the change was about 3.3 per cent. greater than the number on the new basis. The average for the year 1937 would have been about 16,000 greater than the figure given in the Table. The average numbers in employment would have been decreased by the same amounts. ¶ Allowance has been made for the revised method of counting the unemployed.

*From the *Board of Trade Journal*, January 26th, 1938.

PUBLIC AUDITORS

Under the Friendly and Industrial and Provident Societies Acts

The Lords Commissioners of His Majesty's Treasury have appointed the following Incorporated Accountants as Public Auditors for Great Britain for the year ending December 31, 1939, under the provisions of the Friendly Societies Act, 1896, and the Industrial and Provident Societies Act, 1893, viz. :—

- Acock, R. G., Norwich and Watton.
 Alban, F. J., C.B.E., Newport, Mon.
 Alexander, J. H., Leeds, Blackwood and Pontypool.
 Allen, H. J., Sheffield.
 Amsdon, E. V., London and Beckenham.
 Anderson, L. A., Brentwood.
 Andrews, E., Chester.
 Antoine, B. W., Ealing, Middlesex.
 Armson, G. A., London.
 Arnold, C., Rhyl, Denbigh and Flint.
 Arnold, F. V., Brighton, Horsham, Chichester and Steyning.
 Ashworth, W., Burnley.
 Atkins, J. R., Macclesfield and Congleton.
 Attiwell, R. J. T., Birmingham.
 Bailey, H., Manchester.
 Baines, J. V., Stockton-on-Tees.
 Baker, W. B., Berwick-on-Tweed.
 Ball, G., Ossett.
 Bardell, A. P., Birmingham.
 Barker, A. E. S., West Hartlepool.
 Barlow, S., Manchester.
 Barrowcliff, C. P., Middlesbrough.
 Bartfield, I., Leeds.
 Bartlett, R. Wilson, Newport, Mon.
 Barwick, A., Workington.
 Baxter, C. F., Kettering.
 Bayliss, L. M., Leighton Buzzard, Buckingham, Chichester, Bognor Regis and Littlehampton.
 Bayliss, W. M., Oxford.
 Beal, E., Eastleigh, Hants.
 Beer, W. W., Exeter and Exmouth.
 Benbow, L., Northampton.
 Benjafield, A. J., Wells, Somerset, and Glastonbury.
 Bennett, C. H., London.
 Bennett, D. H., Dovercourt.
 Bicker, H. J., Bournemouth.
 Binns, J., Mirfield.
 Black, W. C., Newport, I.O.W., and Ventnor, I.O.W.
 Blythen, S., O.B.E., Long Eaton.
 Bolton, J. B., Douglas, Isle of Man.
 Bowen, G. B., Swansea.
 Braddy, C. W., Winchester.
 Bradley, E. R., Bournemouth.
 Branson, R. M., Leicester.
 Brayshaw, W. S., Didcot.
 Broadbent, J. W., Oldham.
 Brodie, J. P., Burslem and Biddulph.
 Brodie, R. M., Hull.
 Brown, E. T., Wolverhampton and Bilston.
 Bryant, A. C., Bristol.
 Buckle, C. D., Bradford.
 Buckley, A. N., Halifax.
 Bull, E., Devizes.
 Bullock, W., Gloucester.
 Burgess, G. W., London.
 Butler, J., Leeds.
 Campbell, D. E., Wolverhampton.
 Carr, E. R., Leicester.
 Carter, E., Wakefield.
 Cattell, W. C., Kettering.
 Cessford, J. C., Edinburgh.
 Chadwick, A., Bury and Ramsbottom.
 Chapman, J. A., Fleetwood and Middleton, Lancs.
 Chapman, R. M., Hanley.
 Charles, W. H., Llanelly.
 Chater, T. F., Rushden.
 Claridge, C. E., Bradford.
 Clark, W., Leigh, Lancs.
 Clarke, F. N., Brighton and Horsham.
 Clarke, S. W., Lancaster.
 Clayton, W., Nottingham.
 Clemence, S., Rochdale.
 Clinch, S. H., M.B.E., London and Seaford.
 Coates, F. W., Middlesbrough and Redcar.
 Coles, G. W. T., Gravesend.
 Compton, C. G., Boston, Lincs.
 Condie, J., Dunfermline and Alloa.
 Coope, F. W., Blackpool.
 Cooper, D., Manchester.
 Corbin, F. E., London.
 Couzens, J. V., Portsmouth.
 Cox, H. J., Luton and Harpenden.
 Cozens, L. J., Colchester.
 Crawford, Col. E. W., C.B.E., D.S.O., London.
 Crick, Miss F. G., Peterborough and Spalding.
 Crowe, S. E., Otley.
 Crowther, E., Barnsley.
 Cryer, M. P., Keighley.
 Cundy, F. W., Newton Abbot.
 Cutlack, W. J., London.
 Daffern, T. W., O.B.E., Coventry and Solihull.
 Daniels, A., Southsea, Hants.
 Davey, F., O.B.E., Cheam.
 Davey, H., Wakefield.
 Davies, J., Wrexham.
 Davies, O. W., Kidderminster.
 Davies, T., Bridgend.
 Davis, B. T., Birmingham.
 Davis, R., Swindon.
 Dix, W. B., Evesham and Pershore.
 Dixon, F., Leicester.
 Downs, N. T., Grantham.
 Draper, J., Bradford.
 Dudbridge, J. S., Stroud.
 Dudbridge, S., Stroud.
 Duncan, D. C. N., Grantham.
 Dunlop, R. T., Glasgow.
 Dyer, S. A., Liverpool.
 Eaves, W., Manchester and Tyldesley.
 Ednie, A., Bedford.
 Edwards, A. H., Dorchester.
 Edwards, C. E., Aberdare.
 Edwards, H., Swansea.
 Edwards, R. H., Newcastle-on-Tyne.
 Elliott, E. A., Heywood.
 Emmans, R. J. F., Teddington.
 Entwisle, B., Manchester.
 Evans, H. R., St. Helens, Lancs.
 Fearnhead, J., Chorley, Lancs.
 Feist, H. J. B., Leigh-on-Sea.
 Ferry, G. A., Carlisle, Alnwick and Morpeth.
 Fletcher, H. R., Leicester.
 Ford, W. J., Bristol.
 Forrest, L., Batley.
 Forster, H., Macclesfield.
 Fortune, G. W., Edinburgh.
 Foster, S. E., Ashford, Kent.
 Fox, F. W., Leicester.
 Francis, S. L., Swansea.
 Freeborough, J. H., Sheffield.
 Friend, A. H., Newbridge, Mon.
 Frost, W. R., Totnes.
 Gair, R., Newcastle-on-Tyne.
 Gait, A., Abertillery.
 Gardiner, G. F. H., Scarborough.
 Gardiner, H., York.
 Garner, R., Leicester.
 Gerrard, R., Horwich.
 Girling, A. F. J., Barnsley.
 Goulding, E. S., O.B.E., Liverpool.
 Gowen, H. P., Norwich, Fakenham and Dereham.
 Graham, I. D., Wetherby.
 Grassam, J., Hull.
 Griffin, C. E. B., St. Helens, Lancs.
 Griffin, G. R., Birmingham.
 Griffith, F., Kendal.
 Griffith, R. O., Preston and Kirkham.
 Groves, T. J., M.C., West Hartlepool.

- Hackett, P. R., Birmingham.
 Hakim, G. J., Hayes, Middlesex, and West Drayton.
 Hall, B., Shepton Mallet.
 Hall, F., Leeds.
 Hallett, A., Wrexham.
 Hanson, F. W., Castleford and Kippax.
 Hargreaves, F., Manchester.
 Harper, C. E., London.
 Harris, A. C., London.
 Harris, H., London.
 Harrison, C. D., Blackpool.
 Hart, N. B., Scunthorpe and Brigg.
 Hartley, J. A., Leeds.
 Hayden, G. D., Holt, Norfolk.
 Hayes, P. R., Wrexham and Corwen.
 Hayhow, G. S., Kings Lynn.
 Hayward, T., Bradford.
 Heatley, N. K., Manchester.
 Henshall, J., Chester.
 Hepburn, A. E., London.
 Hill, A. H., Bristol.
 Hirst, G. L., Dewsbury.
 Hobbs, A. M., London.
 Hodge, H., Kettering.
 Hodgson, T., Manchester.
 Hollows, R., Wigan.
 Holman, W. J., London.
 Holmes, H., Pontefract.
 Holmes, J. T. L., Colwyn Bay.
 Horne, H. R., M.C., Ripley, Derbyshire.
 Horrocks, H., Bridgend, Glam.
 Horsfield, A., Bury.
 Horsfield, H. A., Bradford.
 Hort, J. H., Bootle, Liverpool.
 Hubbard, F. L., Hastings and Bexhill-on-Sea.
 Hudson, T., Bradford.
 Hustwick, W., Bradford.
 Hutchinson, E. G., Newcastle-on-Tyne.
 Ingram, A. J., Sunderland.
 Jackson, G. H., Sutton, Surrey.
 Jenkins, H. G., Wrexham.
 Jenkins, W. R. L., Newport, Mon.
 Jessap, C. T., M.B.E., Skegness, Spilsby, Horncastle and Louth, Lincs.
 Johnson, A. J., Winchester.
 Johnson, E. W., Wigan.
 Johnson, H. O., Bath.
 Jones, A. H., Caernarvon.
 Jones, E. F., London.
 Jones, H. B., Maidenhead.
 Judge, W. A., Skipton.
 Keens, A. T., Harrow.
 Keens, P. F., Luton, Bletchley, Leighton Buzzard, Aylesbury and Hitchin.
 Keens, Sir Thomas, London, Luton, Bedford, Stony Stratford, Newport Pagnell and Buckingham.
 Keys, C. G., Birmingham and West Bromwich.
 Kilby, F. L., Brighouse.
 King, G. C., Birmingham.
 Kirby, N. F., Sudbury, Suffolk.
 Kneale, H. E., Douglas, Isle of Man, and Ramsey, Isle of Man.
 Knight, S. R., Ilford.
 Lake, J., Swansea.
 Lambert, W. E., London.
 Larder, C., London.
 Larking, C. G., Maidstone.
 Larking, R. C., Norwich.
 Lashmore, C. S., Cardiff.
 Law, A., Matlock and Derby.
 Law, E. I., Walsall.
 Lawrence, S., Walsall.
 Lawson, G. R., Bradford.
 Laycock, S., Keighley.
 Lazenby, H., Leeds.
 Leah, H. B., Stockport.
 Lee, F., Huddersfield.
 Leech, W. L., Derby and Uttoxeter.
 Lentell, C. I., Seaton, Devon.
 Leys, B. B. K., St. Neots, Bedford and Stevenage.
 Ling, W. A. J., London.
 Lithgow, W. G., Southport.
 Liversidge, H. G., Rotherham.
 Lloyd, J. T., Trowbridge.
 Lloyd, W., Dudley, Worcs.
 Lloyd-Roberts, J., Caernarvon and Harlech.
 Lock, F. J., Watford.
 Lomax, H., Manchester.
 Loveridge, A., Southport.
 Lowe, J. T., Kendal.
 McCutcheon, R. T., Glasgow.
 McDonald, T. W., Wood Green.
 Macmenemey, R., Glasgow.
 McMurray, J. C., Kilmarnock.
 Mair, A. J., Sunderland.
 Marshall, R. N., Herne Bay, Westgate-on-Sea, Broadstairs and Birchington.
 Mason, E. H., Cheltenham.
 Mawson, J. D., Ealing.
 Mayhew, W. O., London.
 Merchant, H. A., Ealing, and Slough.
 Milford, C. A., Settle.
 Millman, H. T., Leicester.
 Mills, F. W. T., Doncaster, Scunthorpe and Wakefield.
 Milne, R., Glasgow.
 Miskin, A., Southampton.
 Moger, J. R., Cleckheaton.
 Moon, E., Sheffield.
 Moores, C. S., Exeter.
 Morgan, D. R., Newtown, Mont.
 Morgan, E. C., Newtown, Mont.
 Moss, J., Manchester.
 Moulton, P. A., Barnsley.
 Moustardier, M., London.
 Mullens, G. G., M.C., Port Talbot.
 Neill, A., London.
 Nelson, C., Hewetson, Liverpool.
 Nicholson, J., Lincoln and Market Rasen.
 Nicholson, J. S., Shipley, Yorks.
 Norfolk, W. J., Clacton-on-Sea.
 Nuttall, T. V., Newark.
 Oates, G. G., Doncaster.
 Oldfield, J. W., Mytholmroyd.
 Oldfield, W., Leicester.
 Oldman, A. S., Fleetwood.
 Owen, H., Stafford.
 Oxley, H., Barnsley.
 Page, J. C., Liverpool.
 Pallot, W. J., Neath and Milford Haven.
 Palmer, A. J., Fareham.
 Palmer, C. C., Colchester.
 Palmer, E. H., Nottingham.
 Paterson, James, Greenock and Rothesay.
 Payne, C. C., Norwich, North Walsham and Aylsham.
 Payne, W. G., London.
 Pearce, E. E., Cardiff.
 Pearce, M. E. J., Poole.
 Pearson, W., Bradford.
 Pearson-Griffiths, J., Cardiff.
 Pellatt, A. P., Folkestone and Hythe, Kent.
 Petrie, J. McR., Bacup.
 Pettitt, S. R., Bournemouth.
 Plant, R. A., Nuneaton.
 Platts, T. H., Birmingham.
 Pocock, B. G., London.
 Potts, N., Stalybridge.
 Pratt, A. J. S., Portsmouth.
 Pratt, H. W., Wellingborough.
 Prior, F. A., Nottingham.
 Procter, S., Padihan.
 Pugh, A. E., Newport, Mon.
 Pulsford, E. G., Poole.
 Revell, H. W., Huddersfield.
 Reynolds, J. W., Bradford.
 Rhodes, J., Bradford.
 Rhodes, W. H., Leicester.
 Riches, E. J., Norwich and Cromer.
 Riddington, C. R., Leicester.
 Ridsdale, J. S., Walsall.

Ritchie, P. G., Glasgow.
 Rodger, T., Newcastle-on-Tyne.
 Rogerson, C. E., Manchester.
 Rollinson, C. E., Newport, Mon.
 Ross, G., Cardiff.
 Rowland, F. S., Newcastle-on-Tyne.
 Ruscoe, B., Shrewsbury, Ludlow and Iron Bridge.
 Russell, P. W. G., Leicester.
 Russell, W. G. A., Birmingham.
 Ryland, H. C., Kew Gardens.
 Saxton, C. C., Oxford.
 Scarlett, C. S., Margate and Ramsgate.
 Schofield, A., Leeds.
 Scott, W. A., Edinburgh.
 Scotter, S., Hull.
 Sheard, E., Huddersfield.
 Shepherd, J. W., C.B.E., Manchester.
 Shepherd, W. A., Risca.
 Sievwright, W. B., Perth.
 Simmonds, H. J., London.
 Simmons, M. P., Salisbury.
 Sinclair, G. N., Oswestry.
 Singleton, J. T., Nottingham.
 Slater, J. T., Oldham.
 Sleeman, A. W. L., Swansea.
 Sly, T. W., Gravesend and Walthamstow.
 Smith, H., Manchester.
 Smith, W., Lowestoft.
 Snow, W. K., Guildford and Horsham.
 Soddy, R. J., Eastbourne.
 Sparrow, G. W., Leicester.
 Spicer, R. C., Norwich.
 Stables, H. C., Matlock.
 Stacey, W. H., Bury St. Edmunds and Ely, Cambs.
 Starkie, R. E., Leeds.
 Stembridge, P. G., Droitwich Spa.
 Stephens, C. T., Newport, Mon.
 Stephenson, J., O.B.E., Peterborough, Spalding, St. Ives, Hunts, Stamford, March, Huntingdon, Chatteris, Long Sutton, Lincs, and Ramsey, Hunts.
 Stewart, L. E., Northampton.
 Stoddard, E. S., Longton, Staffs, and Hednesford.
 Storey, R. G., Bristol.
 Sturges, H. H., London.
 Sunderland, W., Keighley.
 Tamplin, J., Newport, Mon.
 Taper, R. W. G., Paignton.
 Tessier, A. N., London.
 Thomas, A. T., Ledbury.
 Thomas, D. B., Merthyr Tydfil.
 Thompson, J. W., Keighley.
 Thomson, R. C., Dundee.
 Thorne, T., London.
 Thornley, J. C., King's Lynn and Hunstanton.
 Towers, A. C., Northampton.
 Tuck, W. L., London.
 Tucker, F., Exeter.
 Tucker, J. H., London.
 Tunbridge, S. T., Great Yarmouth.
 Tyler, G. H., Birmingham.
 Vizard, L. N., M.C., Cheltenham.
 Walker, Percy H., Cardiff.
 Walker, R. B., Blackburn.
 Wallace, W. D., Kirkcaldy.
 Wallis, S. I., Nottingham.
 Walters, W. L. J., Gillingham, Dorset, and Sturminster Newton.
 Walters, W. T., Yeovil.
 Walton, A., Leeds.
 Walton, N. H., Sunderland.
 Ward, A., Bradford.
 Wareing, J., Preston.
 Warmington, W. H., Tewkesbury.
 Warren, R., Haverfordwest and Cardigan.
 Watson, A., Manchester.
 Watson, O. A., Leicester.
 Watts, Miss E., London.
 Waud, N., York.
 Webb, E., Brighton.

Wells, C. H., Sheffield.
 West, H. W., Manor Park.
 White, A. M., Newcastle-on-Tyne.
 White, E. G., Carmarthen.
 White, J. C., London.
 White, P., M.B.E., Plymouth.
 Whiting, W. F., Wisbech, March, Mildenhall, Suffolk, and Ramsey, Hunts.
 Whitley, W. J., Bingley.
 Wilkinson, D. W., Preston.
 Williams, E. Clarke, Whitstable.
 Williams, E. J., Carlisle.
 Williams, G. R., Cardiff.
 Williams, T. E., Liverpool.
 Williamson, J. H., Ashton-under-Lyne.
 Wilson, F. C., Manchester.
 Wilson, S., Keighley.
 Windle, R. S., Barnoldswick.
 Witty, Richard A., London.
 Wood, H., Newport, Mon.
 Woolley, F., Southampton.
 Yates, J., Warrington.
 Yearsley, A., Manchester.

THE OFFICERS' ASSOCIATION

The annual meeting of the Council of the Officers' Association was held recently. The Chairman was General the Hon. Sir Herbert A. Lawrence, G.C.B. (President).

Colonel Sir Frank Watney, Chairman of the Executive and Finance Committees, in moving the adoption of the report for the year ended September 30, said that the number of cases assisted had increased. Help had been given towards the school fees of 546 children. Of the total loans issued by the Association, nearly 60 per cent. had been repaid. This was greatly to the credit of the borrowers. The account would shortly be closed. The total gross receipts since January 1, 1920, were £3,682,681, against gross payments of £3,116,332. The deficit for the year on the London headquarters account was £22,608, compared with £10,843 in 1936-37; the autonomous Scottish branches had a surplus of £1,263. The balance of the London Reserve Fund had been reduced to £165,000 by the transfer of £25,000 to Reserve Account. It is stated in the report that, in spite of the deficit, the scale of allowances will not be reduced. The Council anticipates that the capital will be utilised to extinction within the lifetime of the recipients, but it appeals for further funds to provide maintenance allowances to aged officers and widows.

THE Scottish Widows' Fund and Life Assurance Society announce that the directors have declared a reversionary bonus for the five years 1934-38 at the rate of 42s. per cent. per annum compound. This high rate is the same as was declared at each of the two preceding quinquennial valuations and has thus been maintained for a period of fifteen years.

The directors intimate that, with the continued low interest rates and the high and increased rate of income tax, the time has come to make some reduction in the rate of intermediate bonus, but that the uncertainty as to future taxation makes it impossible to fix a rate with any confidence that it will remain unchanged during the quinquennium. The position will therefore be reviewed from time to time and, for the present, the rate of contingent intermediate bonus, to be allowed in respect of current claims and surrenders, has been fixed at 38s. per cent. compound.

Notices of the new bonus, together with the annual report and accounts, will be posted as soon as possible after the annual meeting. It is requested that policyholders will refrain from making inquiries as to the bonuses added to their policies until after they have received the official notices. The report and accounts when published will be found to disclose a strong financial position.

Society of Incorporated Accountants

DINNER AT HULL

The dinner of the Incorporated Accountants Hull and District Society was held in Hull on January 13. The toast of the Society was proposed by **Mr. R. C. Moore**, Director of Education in Hull, who said that it was interesting to consider the growth of professional societies. There were very few of them a century ago, but since then knowledge had increased vastly, and workers in a particular department of life had tended to congregate together in a special society of their own. He noticed with pleasure the growth of the Society of Incorporated Accountants in recent years. They had now some 7,500 members, and with the growth in numbers their activities had expanded in a variety of ways. The Society was a virile one, and one which took an increasing part in the work and life of the accountancy profession.

Mr. Walter Holman, President of the Society, replying to the toast, said that the District Society was ten years old and had more than justified the faith of those who were responsible for its formation. It had been the means of developing gifts of organisation which otherwise might have remained dormant. Others besides accountants, continued Mr. Holman, have to possess judicial capacity in order to examine problems from all angles, have to use tact in negotiations, have to be fearless in the support of truth as they see it. Those were positive qualities, and he wanted to say a few words about what he might call the negative quality which was imposed upon accountants as on the members of other professions—he referred to the prohibition against self-advertisement. In these days, he said, when the practice of publicity had been raised to a fine art; when salesmanship had been recognised as a proper subject for study and had even become a sort of profession itself; and when advertising had become the principal medium for stimulating and meeting the demands of consumers, it seemed strange that those who offered the knowledge and skill acquired in their profession should be prevented from adopting similar means of attracting business. They professed to be, as it were, the pit-props which industry required: why should they not advertise themselves as such? Why should they not take advantage of the extended shop-window display which modern advertising provides and which had been called forth by the unlimited productive capacity of mass production methods? The last question provided its own answer. Accountancy was a personal relationship. It was an individual service, and it was governed by the rules of personal conduct which could best be indicated by the much-abused but fine old English word "gentleman." Self-advertisement was inadmissible by members of the Society because it was inconsistent with the highest expression of personal behaviour, but that did not mean that members should shrink from personal contact or refrain from allowing their endowment of skill and personality to earn the commendation and recommendation of clients and friends. The professional man who linked himself with others in the practice of his profession; who actively

associated himself with his fellow practitioners in furthering their own interests; who devoted some part of his leisure time to the public service, was not only fulfilling a duty which he owed to his profession and to the community, but he was thereby taking the path most likely to lead to the fullest development of himself and his practice.

The chair was occupied by **Mr. C. H. Pollard** (President of the District Society), and the company included the Lord Mayor of Hull (Alderman W. Pashby), **Mr. Walter Holman** (President of the Society of Incorporated Accountants), the Mayor of Beverley (Councillor A. Watts), **Mr. R. C. Moore** (Director of Education, Hull), **Mr. Herbert Goodes** (Chairman, Provincial Brokers' Stock Exchange), **Mr. L. L. Gordon** (President, Hull Chamber of Commerce), **Mr. C. C. Russell** (Vice-President, Hull Local Centre of the Institute of Bankers), **Rev. A. H. Lewis** (President, Hull Rotary Club), **Mr. A. Pickard** (Town Clerk), and **Mr. A. Macdonald** (Hon. Sec. of the District Society).

EVENTS OF THE MONTH

Date	Place	Event
Feb. 1	Exeter ...	Lecture at 6.30 p.m., "N.D.C. and Income Tax," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.
	Liverpool ...	Visit to Messrs. Vernon's Offices.
	Swansea ...	Lecture at 6.30 p.m., "Steel and Tinplate Industry Accounting," by Mr. Stanley Rutter, A.C.A.
Feb. 2	Cardiff ...	Lecture, "N.D.C. and Income Tax," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.
Feb. 3	Birmingham...	Students' Discussion Group at 7 p.m., "Income Tax," led by Mr. A. P. Bardell, F.S.A.A.
	Nottingham ...	Lecture at 6.30 p.m., "The Calling and Conduct of Company Meetings and Recent Important Case Law decisions," by Mr. E. Westby Nunn, B.A., LL.B., Barrister-at-Law.
	Belfast ...	Students' Dance, Belfast Castle.
Feb. 7	Plymouth ...	Lecture at 6.30 p.m., "Case VI, Schedule D," by Mr. S. A. Dunn, H.M. Inspector of Taxes.
	Leeds ...	Lecture at 6.30 p.m., "Cost Accounts," by Mr. W. W. Bigg, F.S.A.A., F.C.A.
	Manchester ...	District Society Accountancy Research Discussion Meeting.
Feb. 8	Dublin ...	Factory Organisation and Costing. Visit to the Factory of Messrs. W. D. & H. O. Wills.

- Feb. 8 Doncaster ... Lecture, at 6.30 p.m. "Cost Accounts," by Mr. W. W. Bigg, F.S.A.A., F.C.A.
- Feb. 9 Southampton Lecture at 7.15 p.m., "Points of Especial Difficulty to Examinees," by Mr. G. E. Radford, A.S.A.A.
- Bradford ... Lecture at 7.30 p.m., "Internal Organisation of an Accountant's Office," by Mr. C. M. Dolby, F.S.A.A.
- Liverpool ... Lecture at 7.30 p.m., "The Interlock between Financial and Cost Accounts," by Mr. Percy Phillips, F.C.W.A. (Joint Meeting with the Institute of Cost and Works Accountants, at India Buildings Hall, Water St.).
- Cardiff ... Students' Lecture, "Income Tax," by Mr. Dennis H. Morgan, F.C.A.
- Feb. 10 Hull ... Lecture at 7.15 p.m., "Company Liquidations," by Mr. C. M. Dolby, F.S.A.A.
- Bournemouth Lecture at 8 p.m., "The Law Relating to Accounts in Insolvencies," by Mr. G. E. Radford, A.S.A.A.
- Birmingham Lecture at 6.30 p.m., "Methods of Investment for Business Re-organisation," by Mr. W. Coutts-Donald, C.A., F.C.W.A. (By invitation of the Institute of Cost and Works Accountants, to be held at the Chamber of Commerce.)
- Leicester ... Lecture at 6 p.m., "The Sale of Goods," by Mr. S. Shaw, LL.B., Barrister-at-Law.
- Feb. 11 Newport (Mon.) Short Papers by Students.
- Feb. 13 Belfast ... Luncheon at 1 p.m., Grand Central Hotel. Discussion.
- Feb. 14 Huddersfield Lecture at 6.30 p.m., "Some Notes on the Finance Act, 1938," by Mr. Wilfred Dargue, A.C.A.
- Newcastle-upon-Tyne Lecture at 6.30 p.m., "The Audit of a Limited Company," by Mr. J. Wilkinson, A.S.A.A.
- Feb. 15 Blackburn ... Lecture at 7.30 p.m., "National Defence Contribution," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.
- Feb. 16 Middlesbrough Lecture at 7 p.m., "Mistake, Misrepresentation and Fraud," by Mr. E. J. T. Matthews, Solicitor.
- Feb. 17 Manchester ... Students' Lecture at 6.30 p.m., "The Powers and Duties of Liquidators," by Mr. A. V. Hussey, A.S.A.A.
- Keighley ... Eleventh Annual Supper-Dance, to be held at Municipal Hall. (Bradford and District Society.)
- Feb. 17 Swansea ... Mock Shareholders Meeting, at 6.30 p.m., arranged by the Students' Section.
- Nottingham Lecture at 6.30 p.m., "Statistics," by Mr. Arthur Radford, B.Sc.(Econ.).
- Feb. 21 London ... Discussion, at 6 p.m., "Audit Problems Arising from Mechanised Accounting."
- Leeds ... Lecture at 6.30 p.m., "Price Control and Currency Policy," by Professor A. N. Shimmmin.
- Carlisle ... Lecture at 7.30 p.m., "The Preparation of Monthly Records and Accounts," by Mr. P. Taggart, F.S.A.A.
- Feb. 22 Dublin ... Lecture at 5.45 p.m., "An Auditor's Responsibility at Law," by Mr. J. I. Fitzpatrick, A.S.A.A.
- Cardiff ... Lecture, "Management Methods in the United States," by Mr. Richard A. Witty, F.S.A.A.
- Liverpool ... Lecture at 6.15 p.m., "At Random," by Mr. E. Baldry, F.S.A.A. Dinner at Exchange Club.
- Feb. 23 Newcastle-upon-Tyne Discussion at 6.30 p.m. (Qualified Members' Meeting.)
- Belfast ... Students' Lecture at 7 p.m., "Income Tax," by Mr. J. D. Radcliffe, M.Com.Sc., A.S.A.A.
- Feb. 24 Sheffield ... Lecture at 6.30 p.m., "The National Defence Contribution," by Mr. W. S. Carrington, F.C.A.
- Hanley ... Lecture at 6.30 p.m., "Process Costing as Applied to the Clay Industries," by Alexander Scott, M.A., D.Sc.
- Manchester ... Discussion at 6.30 p.m., Students' Meeting.
- Leicester ... Question Night, at 6 p.m.
- Birmingham ... Lecture, at 6.30 p.m., "The Calling and Conduct of Company Meetings and Recent Important Case Law Decisions," by Mr. E. Westby Nunn, B.A., LL.B., Barrister-at-Law.
- Hull ... Lecture, at 7.15 p.m., "The Rights of a Shareholder," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.
- Feb. 25 Cardiff ... Students' Lecture, Saturday morning, "Some Aspects of Sinking Funds," by Mr. K. V. Stephens, B.A., A.S.A.A.
- Feb. 28 London ... Students' Society. Annual General Meeting at 5 p.m. followed by Lecture, "Problems on Income Tax and National Defence Contribution," by Mr. W. J. Back, F.S.A.A.

DISTRICT SOCIETIES

BELFAST

A luncheon meeting of the Belfast and District Society was held on January 16, when Mr. W. Keith gave a talk on "Costing in Connection with Galvanising Processes." Mr. Keith explained the system of costing in detail and pointed out the difficulties that arose owing to the violent fluctuations that took place in the cost of the raw material and of the residual products. Several members took part in the discussion.

GLASGOW STUDENTS' SOCIETY

The annual meeting of this Society was held in Glasgow on January 18th, with Mr. W. Davidson Hall, F.S.A.A., in the chair. There was a large attendance.

The Hon. Secretary, Mr. J. Hawthorne Paterson, submitted the annual report and accounts. The report stated that lectures had been delivered during the year on accountancy and law subjects, and all the meetings were very well attended.

At the meeting on October 25th, the Society was honoured with a visit from Mr. Walter Holman, F.S.A.A., President of the Society, who gave an interesting and instructive address to the Students, and his visit was very much appreciated.

During the year one Preliminary member of the Glasgow Students' Society, ten Intermediate and five Final candidates were successful. One of the Intermediate candidates, Mr. John A. Stewart, Glasgow, was awarded Honours in the Intermediate Examination in May and received the W. D. Hall prize at the hands of Mr. Holman, who congratulated him on his success. The accounts showed a small debit balance.

The Chairman moved the adoption of the Report and Accounts, and this was seconded by Mr. E. H. Harris, Vice-President of the Society, and after remarks by a number of members, was unanimously adopted.

Mr. Davidson Hall intimated that he had been President of the Students' Society for a number of years, and for various reasons he found that he would be unable to continue as President, but would always take a very keen personal interest in the Society, and expected he would be able to take the same interest in the prize fund as he had done for a number of years. He thought the office of President should be passed on to a younger man, and proposed that the Vice-President be promoted to that office. Mr. Harris, however, intimated that he found that he would be unable to continue to hold any office in the Students' Society, and declined nomination.

As these intimations had been made for the first time, and no nominations were made at the meeting, it was agreed to leave the matter in the hands of the Secretary of the Branch to bring the question of filling the vacancies before the Council of the Scottish Branch, which had a meeting on Friday, January 20th, and to accept their nominations for the office of President and Vice-President of the Glasgow Students' Society.

The Committee were re-elected, two vacancies being filled up by the election of Mr. John S. Mills, and Mr. Alfred Chenhalls, Glasgow students.

Mr. J. Hawthorne Paterson, F.S.A.A., was re-elected Hon. Secretary and Treasurer, and *ex officio* a member of all Committees.

The annual meeting was followed by a lecture by Mr.

Allan Aitken, M.A., LL.B., Solicitor, Glasgow, on "The Law of Executors, particularly with reference to Intestate Succession."

At the close of the lecture a number of questions were asked by students and answered by the lecturer.

In moving a vote of thanks to the lecturer, and to Mr. Davidson Hall for presiding, Mr. James Paterson, Secretary of the Scottish branch, referred to Mr. Hall's great practical interest for the past twelve years in the Students' Society, and their very sincere regret at his inability to continue as President. He also referred to Mr. Harris' work for the Society.

MANCHESTER

The Committee of the Manchester and District Society announce that, having regard to the arrangements made by the Society of Incorporated Accountants for the dinner in Guildhall, London, on March 16, it has been decided to postpone the dinner of the District Society, previously fixed for March 17, until the late autumn. The dinner will be held at the Midland Hotel, Manchester, on Friday, October 27.

SCOTTISH COUNCIL

A meeting of the Council of the Scottish branch was held in Glasgow, on January 20th, with Mr. Robert T. Dunlop, President of the Branch in the chair. There were also present: Mr. D. R. Matheson, M.A., LL.B., Edinburgh; Mr. E. Mortimer Brodie, Port Glasgow; Mr. W. Davidson Hall, Mr. William Houston, Mr. W. Hill Jack, Mr. Robert Fraser, Mr. Robert Milne, Mr. P. G. S. Ritchie, and Mr. E. Hall Wight, Glasgow; Mr. W. L. Pattullo, Dundee; Mr. W. J. Wood, Perth; and Mr. James Paterson, Secretary of the Branch.

Apologies for absence were intimated from Mr. J. Stewart Seggie, Mr. Walter Macgregor, J.P., Mr. Festus Moffat, J.P., Mr. John A. Gough, and Mr. J. T. Morrison, J.P., Coatbridge.

The results of the Scottish candidates at the November Examinations were reported. The Council considered the results were very satisfactory. Other membership matters were reported and dealt with.

A special vote of thanks was accorded to the Trustees of the Benevolent Fund for grants to a member, and to the widow and family of a deceased member.

The Report of the Glasgow Students' Society for 1938 was submitted, and the activities of this Society with reference to the lectures or examinations approved. A grant was made towards the expenses of the Society.

The Secretary reported that Mr. Davidson Hall, who had been President of the Glasgow Students' Society for about twelve years had intimated his wish to be relieved of the position, that the Vice-President, Mr. E. H. Harris, also did not wish re-election, and that the matter of filling up these vacancies had been left in the hands of the Council of the Scottish branch. After consultation with the President of the branch, he had approached Mr. John A. Gough, F.S.A.A., Glasgow, who had agreed to accept the office of President of the Students' Society, and that Mr. Thomas Robertson, A.S.A.A., had agreed to become Vice-President. The Council confirmed the action of the President and Secretary. They placed on record their high appreciation of the service Mr. Davidson Hall had rendered to the Glasgow Students' Society, and his practical interest in candidates in Scot-

land by his annual contributions to the W. D. Hall Prize Fund, and for his general interest in the work of the Incorporated Society over a long period of years. Mr. Hall suitably replied, and stated that he hoped to be able to continue that interest in the future, as in the past. The Council also recorded their thanks to Mr. E. H. Harris for his interest and assistance in the work of the Glasgow Students' Society.

GUILDHALL DINNER

Special arrangements have been made for hotel accommodation for members and their personal friends, travelling to London in connection with the dinner to be held in Guildhall, London, E.C., on Thursday, March 16, 1939. Rooms may be reserved at the following hotels at the special rates stated, which include single bedroom, bath and full breakfast. Requests for accommodation should be sent by March 1 to the hotels direct (not to the Society), and should refer to the arrangement made by The Society of Incorporated Accountants. The hotels mentioned are reasonably accessible to Guildhall, E.C., and also to the West End and other parts of London.

May Fair Hotel, Berkeley Square, Piccadilly, W.1 :—17s. 6d. a night, or with private bathroom £1 2s. 6d. a night.

Hotel Victoria, Northumberland Avenue, W.C.2 (near Charing Cross) :—13s. 6d. a night, or with private bathroom, £1 a night.

Howard Hotel, Norfolk Street, Strand, W.C.2 (near Temple Station) :—From 12s. 6d. a night, or with private bathroom from 19s. 6d. a night.

Thackeray Hotel, Great Russell Street, W.C.1 :—From 9s. 6d. a night, or with private bathroom from 12s. 6d. a night.

Kingsley Hotel, Bloomsbury Way, W.C.1 :—From 9s. 6d. a night, or with private bathroom from 12s. 6d. a night.

Cumberland Hotel, Marble Arch, W.1 :—12s. 6d. a night, with private bathroom.

Berners Hotel, Berners Street, Oxford Street, W.1 :—12s. 6d. a night, or with private bathroom 17s. 6d. a night.

Hotel York, Berners Street, Oxford Street, W.1 :—10s. 6d. a night.

EXAMINATION RESULTS IN SOUTH AFRICA

November, 1938

Passed Final

Alphabetical Order

BAMFORD, ARTHUR LESLIE, Clerk to Collins & McCulloch, Johannesburg.

BETTS, WILLIAM RAWDON, Clerk to Douglas, Mackelvie, Galbraith & Co., Cape Town.

CAITHNESS, CHARLES RIDGES, Clerk to Deloitte, Plender, Griffiths, Annan & Co., Johannesburg.

FARQUHARSON, DONALD CLINTON, Clerk to Warren & Hofmeyr, Pretoria.

PARKER, HARRY LEONARD, Clerk to Hands & Shore, Cape Town.

PAUL, RAYMOND VICTOR, Clerk to Deloitte, Plender, Griffiths, Annan & Co., Durban.

(30 Candidates failed to satisfy the Examiners.)

MEMBERSHIP

The following additions to and promotions in the membership of the Society have been completed since our last issue :—

ASSOCIATE TO FELLOW

Hendrie, Percy Matthew (Barrow, Wade, Guthrie & Co.), Boston, U.S.A. Practising Accountant.

ASSOCIATES

Collop, Norman William, with Morgan Brothers & Co., London ; **Dubash**, Minu Dosabhai, formerly with Kalyanivala & Mistry, Bombay ; **Greene**, Alexander Philip Isaac, with W. Gidley Dunn & Co., London ; **Hallett**, Bernard (Arthur Hallett & Co.), Wrexham, Practising Accountant ; **James**, William Ronald, with G. Leonard Foulds, Nottingham ; **Kaplan**, Louis Edward, Johannesburg (Re-instated) ; **Lambard**, Ernest George, with Cooper & Cooper, London ; **Oddie**, Richard Levin, with J. W. Shepherd, Manchester ; **Tuckey**, Harry Charles Grierson, with Salisbury, Beaton & Raynham, Kimberley ; **Turner**, Arthur Lloyd, with Deane & Thresher, Bloemfontein.

PERSONAL NOTES

Mr. Harry Stavely Roberts, Incorporated Accountant, Glasgow, has been appointed to the Commission of the Peace for the County of Dumbartonshire.

The American Institute of Accountants announce that they have removed their offices to 13, East 41st Street, New York.

Mr. H. K. Roychowdhury, B.Sc., and Mr. G. P. Chatterji, B.Sc., have joined in partnership and will practise at 50a, Stephen House, Dalhousie Square East, Calcutta, under the style of Roychowdhury, Chatterji & Co., Incorporated Accountants.

The partnership hitherto existing between Mr. Cyril Wain and Mr. Kenneth Burrow under the style of Cyril Wain & Co. at 7 and 8, Osborne Buildings, 91, Kirkgate, Bradford, has been dissolved by mutual consent. Mr. Wain has retired from the practice which will in future be carried on by Mr. Kenneth Burrow, Incorporated Accountant, under his own name at the same address.

CHANGES

Messrs. Pettitt & Son announce that they have admitted into partnership Mr. D. R. Maddox, Incorporated Accountant, and that the style of the firm will be Pettitt, Maddox & Co. They also announce a change of address to Bourne Chambers, St. Peter's Road, Bournemouth.

Mr. James Paterson, F.S.A.A., 78, St. Vincent Street, Glasgow, 13, Hamilton Street, Greenock, and 18, Castle Street, Rothesay, Secretary of the Scottish Institute of Accountants (the Scottish Branch of the Society of Incorporated Accountants and Auditors), has taken his son, Mr. James Hawthorne Paterson, F.S.A.A., who has been associated in his practice for some years, into partnership. The firm name will be James and J. H. Paterson.

Messrs. Kilby & Fox, Incorporated Accountants, Drury Chambers, Market Square, Northampton, have taken into partnership Mr. E. Lloyd Owen, A.S.A.A.

Messrs Tansley, Witt & Co., Chartered Accountants, of Old Serjeant's Inn Chambers, 5, Chancery Lane, London, W.C.2, have taken into partnership Mr. F. Sewell Bray, A.C.A., Incorporated Accountant. The title of the firm will be unchanged.

Messrs C Neville Russell & Co., Incorporated Accountants, of Poultry Chambers, 11, Poultry, London, E.C.2, have admitted into partnership Mr. R. W. Ewan, A.S.A.A. The firm name will be unchanged.

REMOVALS

Messrs. W. D. Burlinson & Co., announce that their Dewsbury office has been removed to Union Street.

Messrs. A. A. Henley & Co., Incorporated Accountants, have removed from 73, Basinghall Street, to 11-12, Fenchurch Street, London, E.C.

Mr. Henry Finck, Incorporated Accountant, has removed his offices to 69, Basinghall Street, E.C.

Mr. S. R. Mandre, M.A., B.Com., Incorporated Accountant, announces a change of address of his Bangalore office to 5, Gandhi Nagar.

OBITUARY

Tom Coombs

Mr. Tom Coombs, a member of the Council of the Society of Incorporated Accountants, died on December 31, 1938, at a Leeds nursing home. He had had a heart attack a month previously and after an operation three weeks later he had a relapse. He was 69.

Born at Bramley, Leeds, Tom Coombs was educated at Leeds Modern School. He was admitted an associate of the Society in 1894 and afterwards became principal of his father's firm, T. Coombs & Sons, Ltd., Incorporated Accountants, of Oxford Place, Leeds. He was elected a fellow in 1896 and became a member of the Council in 1937.

The scope of his interests outside his profession was very wide. He was a member of the Liberal Party and for 30 years exercised considerable influence on local affairs, first as secretary of the North Leeds Liberal Association and later as honorary secretary to the Leeds Liberal Federation. In 1924 he was made a Justice of the Peace and in 1936 he became Lord Mayor. His success as Lord Mayor in the year of the Coronation was noteworthy. He entertained the King and Queen on their visit to Leeds that year, and later received the Archbishops of Canterbury and York and dignitaries of the Roman Catholic Church, and of the Salvation Army. He carried out these duties with exceptional ability and was always the ideal host.

Mr. Coombs also held high rank as a Freemason. He was deputy to Lord Harewood in the Provincial Grand Mastership of the Province of Yorkshire (West Riding).

His business activities outside his office were very numerous. He was a director of more than twenty companies. He was interested in the Leeds Publicity Club and the Yorkshire Dialect Society, and was associated with the Leeds Athletic Club and with Leeds United A.I.C. He was also Vice-President of Headingley R.U.F.C., while for many years in his younger days he played lacrosse for the Yorkshire team.

Mr. Coombs is survived by his wife, one son and two married daughters.

The funeral took place at Leeds Parish Church on January 2 and was attended by a very large number of mourners. Mr. R. M. Braansom, member of the Council, represented the Society of Incorporated Accountants and the Incorporated Accountants' District Society of Yorkshire was represented by Mr. H. Derwick (President), Mr. A. Schofield, Mr. G. O. W. Pickard, Mr. G. Astle, Mr. O. Coope, Mr. F. Harrison, Mr. W. H. McMinn, Mr. T. Revell, Mr. E. B. Shaw, Mr. A. J. Naylor, Mr. G. Windsor, Mr. A. Walton and Mr. T. W. Dresser (Honorary Secretary).

Charles Henry Brockhurst

We have learned with regret that Mr. C. H. Brockhurst, F.S.A.A., died on November 3, 1938. Mr. Brockhurst had lived in retirement since 1926, but he was previously for many years in practice as an Incorporated Accountant in Jersey.

He commenced practice in 1902, and in 1915 founded the firm of Brockhurst, Picot & Co., by taking into partnership Mr. A. E. Picot, Incorporated Accountant. The firm is now known as Alex. E. Picot & Co.

Mr. Brockhurst made many friends in all walks of life during his long period of residence in Jersey. He is survived by his only son.

The funeral took place at St. Brelade's Church, Jersey.

Frederick Montague Hawnt

We record with regret the recent death of Mr. F. M. Hawnt. He was a Fellow of the Society of Incorporated Accountants, of which his membership extended over forty-five years, and for forty years he had been in practice in Birmingham. A Past President of the Incorporated Accountants' Birmingham and District Society, Mr. Hawnt was Secretary of a large number of organisations in the Birmingham district. He was a Fellow of the Chartered Institute of Secretaries.

LEVERHULME RESEARCH FELLOWSHIPS, 1939

Application is invited for (i) Fellowships or (ii) Grants in aid of research. The Fellowships or Grants are intended for senior workers who are prevented from carrying out research work by routine duties or pressure of other work. They are limited to British-born subjects normally resident in Great Britain. In exceptional circumstances the Trustees may waive the condition as to residence. The duration of the awards will not normally extend over more than two years or less than three months and the amount will depend on the nature of the research and the circumstances of the applicant. Any subject which may add to human knowledge may be proposed for a Fellowship or Grant, but preference is given to subjects in which other provision for research is inadequate.

Forms of application may be obtained from the Secretary, Dr. L. Haden Guest, Leverhulme Research Fellowships, Union House, St. Martins-le-Grand, London, E.C.1. Applications must be received on or before March 1, 1939. Awards will be announced in July and the Fellowships or Grants will date from September 1, 1939.

LEGAL AND GENERAL ASSURANCE SOCIETY, LTD.—This Society have issued an abridged table of rates in pocket form, including a diary for 1939. This interesting innovation is intended for the use of the Society's agents, who as well as having an attractive diary in blue cloth, will also have at hand for ready reference the life premium tables of the Society.

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